ONTARIOPOWER GENERATION

News
from Ontario Power Generation

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OPG REPORTS STRONG 2015 SECOND QUARTER FINANCIAL RESULTS

New regulated prices, higher nuclear production, and newly online generating assets contribute to quarterly income of $189 million, an increase of 64 per cent over 2014

[Toronto]: – Ontario Power Generation Inc. (OPG or Company) today reported its financial and operating results for the three and six months ended June 30, 2015. Net income attributable to the Shareholder for the second quarter of 2015 was $189 million compared to $115 million for the same quarter in 2014. Net income attributable to the Shareholder for the six months ended June 30, 2015 was $423 million compared to $357 million for the same period in 2014.

Tom Mitchell, OPG's President and CEO said, "In the first half of the year, the higher production by the Darlington nuclear station made an essential contribution to the people and businesses of Ontario by providing reliable, moderately-priced power.

“Darlington operates safely and replaces power sources that would contribute to climate change. Refurbishing the station will allow it to continue to operate for another 30 years and will create thousands of jobs at the plant and at companies across Ontario.”

Mr. Mitchell added, "I'm also pleased with the solid performance of the Pickering nuclear station. In recent years, the six operating units have undergone extensive maintenance. We will need them to operate reliably while other nuclear units are being refurbished.”

Overall, OPG received an average of 6.1 cents per kilowatt hour for its power in the second quarter of 2015, which is significantly lower than the average of all other electricity generators.

Business Segment, Generating, and Operating Performance

OPG's income before interest and income taxes from the electricity generation business segments was $358 million in the second quarter of 2015 compared to $100 million in the same quarter of 2014. Income before interest and income taxes from the electricity generation business segments was $695 million for the six months ended June 30, 2015, compared to $446 million for the same period of 2014. The increase for the three and six months ended June 30, 2015 was primarily due to new regulated prices effective November 2014, higher nuclear production, and an increase in income from the Contracted Generation Portfolio segment due to the early in-service of the new units on the Lower Mattagami River and the Atikokan and Thunder Bay generating stations that have been converted to biomass.

The nuclear waste management business segment recorded a loss before interest and income taxes of $81 million in the second quarter of 2015, compared to earnings of $24 million in the same quarter of 2014. For the six months ended June 30, 2015, the nuclear waste management business segment recorded a loss before interest and income taxes of $72 million, compared to a loss of $10 million for the same period in 2014. The decrease in earnings for the three and six months ended June 30, 2015 was primarily a result of lower earnings on the nuclear funds due to unfavourable market conditions, and a lower Ontario Consumer Price Index which unfavourably affected OPG's rate of return on the Used Fuel Segregated Fund.

Total electricity generated during the three months ended June 30, 2015 was 20.8 terawatt hours (TWh) compared to 19.8 TWh for the same quarter in 2014. The increase was mainly due to higher nuclear generation of 1.3 TWh largely as a result of fewer planned outage days. In 2015, much of the planned outage work at the Darlington generating station (GS) is scheduled to coincide with the Vacuum Building Outage (VBO), which is planned to commence in September 2015. In 2014, the planned outage work occurred in the spring. The VBO, which occurs every 12 years, will require the shutdown of all four units for the duration of the outage. This is the last VBO prior to the execution of the Darlington Refurbishment project and, therefore, its execution is a critical step in ensuring the project's success.

Total electricity generated during the six months ended June 30, 2015 was 42.1 TWh, compared to 40.3 TWh for the same period in 2014. The increase was mainly due to higher generation from the Regulated – Nuclear Generation segment due to the timing of planned outage work, and the new hydroelectric units on the Lower Mattagami River.

For the three months ended June 30, 2015, the capability factor at the Darlington GS was 91.5 per cent compared to 77.6 per cent for the same quarter in 2014. For the six months ended June 30, 2015, the capability factor was 94.7 per cent compared to 86.7 per cent for the same period in 2014. The improvements in reliability during the three and six month periods were primarily due to the timing of planned outage work scheduled to coincide with the VBO.

At the Pickering GS, the capability factor improved to 80.0 per cent for the three months ended June 30, 2015, compared to 77.4 per cent in the same quarter of 2014. The capability factor of 76.5 per cent for the six months ended June 30, 2015 was an improvement from the 72.0 per cent for the same period in 2014. The increased capability factors during the three and six month periods were primarily due to a decrease in the number of unplanned outage days, reflecting continued investments made to improve the performance of the station.

The availability of OPG's regulated and contracted hydroelectric generating stations for the three and six month periods ended June 30, 2015 remained above 90 per cent due to a combination of fewer planned and unplanned outage days. The thermal Equivalent Forced Outage Rate increased for the three and six month periods ended June 30, 2015, compared to the same periods in 2014, primarily due to an outage to perform repair work at the Lennox GS. The extended duration of the outage reflected market conditions that made it more cost effective to carry out the repair work over a longer period.

Generation Development

OPG is undertaking a number of generation development and refurbishment projects to support Ontario's long-term electricity supply requirements and operate a generation portfolio that is essentially free of greenhouse gases and smog-causing emissions. Significant developments to June 30, 2015 were as follows:

Darlington Refurbishment project

- The Darlington Refurbishment project is currently in the definition phase, with a number of pre-requisite projects underway that are required to be completed in advance of the project's execution phase commencing in 2016. The definition phase is scheduled to be completed in 2015, and the pre-requisite projects are tracking to be completed to support the execution of the first unit's refurbishment commencing in 2016.
- The final budget and schedule for the refurbishment of the four units at the Darlington GS are on track to be completed in 2015. Life-to-date capital expenditures were $1,791 million as at June 30, 2015.

Peter Sutherland Sr. GS

- In March 2015, OPG's Board of Directors approved a project to construct a new 28 MW generating station – Peter Sutherland Sr. GS on the New Post Creek near its outlet to the Abitibi River, with a planned in-service date in the first half of 2018 and an approved budget of $300 million. Life-to-date capital expenditures were $39 million as at June 30, 2015.
- In the second quarter of 2015, a hydroelectric energy supply agreement for the station was executed with the Independent Electricity System Operator.
- Construction work commenced during the second quarter of 2015. The station will be completed through a partnership between OPG and Coral Rapids L.P., a wholly owned subsidiary of the Taykwa Tagamou Nation.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars – except where noted)	**2015**	**2014**	**2015**	**2014**
Revenue	**1,383**	1,098	**2,738**	2,485
Fuel expense	**180**	154	**337**	303
Gross margin	**1,203**	944	**2,401**	2,182
Operations, maintenance and administration	**650**	666	**1,315**	1,336
Depreciation and amortization	**200**	181	**396**	362
Accretion on fixed asset removal and nuclear waste management liabilities	**224**	195	**448**	391
Earnings on nuclear funds - (a reduction to expenses)	**(141)**	(217)	**(372)**	(377)
Income from investments subject to significant influence	**(11)**	(10)	**(22)**	(23)
Other net expenses	**13**	10	**26**	24
Income before interest and income taxes	**268**	119	**610**	469
Net interest expense	**47**	11	**94**	23
Income tax expense	**28**	(8)	**84**	87
Net income	**193**	116	**432**	359
Net income attributable to the Shareholder	**189**	115	**423**	357
Net income attributable to non-controlling interest [1]	**4**	1	**9**	2
Income (loss) before interest and income taxes				
Electricity generation business segments	**358**	100	**695**	446
Regulated – Nuclear Waste Management	**(81)**	24	**(72)**	(10)
Services, Trading, and Other Non-Generation	**(9)**	(5)	**(13)**	33
Total income before interest and income taxes	**268**	119	**610**	469
Cash flow				
Cash flow provided by operating activities	**450**	205	**905**	633
Electricity generation (TWh)				
Regulated – Nuclear Generation	**12.3**	11.0	**24.5**	22.6
Regulated – Hydroelectric				
Existing regulated hydroelectric stations	**4.6**	4.7	**9.3**	9.5
Hydroelectric stations prescribed for rate regulation beginning in 2014	**3.0**	3.3	**6.5**	6.6
Contracted Generation Portfolio [2]	**0.9**	0.8	**1.8**	1.6
Total electricity generation	**20.8**	19.8	**42.1**	40.3
Average revenue (¢/kWh)				
Average revenue for OPG [3]	**6.1**	5.1	**6.2**	5.7
Average revenue for all electricity generators, excluding OPG [4]	**13.4**	10.7	**11.1**	10.4
Nuclear unit capability factor (per cent)				
Darlington GS	**91.5**	77.6	**94.7**	86.7
Pickering GS	**80.0**	77.4	**76.5**	72.0
Availability (per cent)				
Regulated – Hydroelectric	**92.1**	91.2	**91.8**	91.8
Contracted Generation Portfolio – hydroelectric stations	**95.3**	87.0	**96.5**	91.4
Equivalent forced outage rate				
Contracted Generation Portfolio – thermal stations	**10.3**	3.7	**17.5**	3.3
Return on common equity for the twelve months ended June 30, 2015 and December 31, 2014 (per cent) [5]			**8.9**	8.5
Return on common equity, excluding extraordinary gain, for the twelve months ended June 30, 2015 and December 31, 2014 (per cent) [5]			**6.5**	6.0
Funds from operations interest coverage for the twelve months ended June 30, 2015 and December 31, 2014 (times) [5]			**3.8**	2.8

1 Relates to the 25 per cent interest of a corporation wholly owned by the Moose Cree First Nation in the Lower Mattagami Limited Partnership.

2 Includes OPG's share of generation volume from its 50 per cent ownership interests in the Portlands Energy Centre (PEC) and Brighton Beach.

3 Average revenue for OPG is comprised of revenues from regulated prices established by the OEB, market based revenues, and revenues from energy supply agreements. Average revenue for OPG excludes OPG's share of revenues and generation from PEC and Brighton Beach. The 2014 average revenue for OPG also excludes the revenue from the cost recovery agreement for costs related to the Nanticoke GS and Lambton GS which were shut down in 2013.

4 Average revenue for other electricity generators is comprised of hourly Ontario demand multiplied by the hourly Ontario electricity price (HOEP), plus total global adjustment payments, plus the sum of hourly net exports multiplied by the HOEP, less OPG's generation revenue.

5 "Return on common equity" and "Funds from operations interest coverage" are non-GAAP financial measures and do not have any standardized meaning prescribed by US GAAP. Additional information about these measures is provided in OPG's Management's Discussion and Analysis for the period ended June 30, 2015, under the heading, *Supplementary Non-GAAP Financial Measures*.

Ontario Power Generation Inc. is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity that is 99.7 per cent free of greenhouse gas and smog-causing emissions. Our focus is on the efficient production and sale of electricity from our generation assets, while operating in a safe, open and environmentally responsible manner.

Ontario Power Generation Inc.'s unaudited consolidated financial statements and Management's Discussion and Analysis as at and for the three and six month periods ended June 30, 2015, can be accessed on OPG's Web site (www.opg.com), the Canadian Securities Administrators' Web site (www.sedar.com), or can be requested from the Company.

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ONTARIO POWER GENERATION INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

2015 SECOND QUARTER REPORT

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ONTARIO POWER GENERATION INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes of Ontario Power Generation Inc. (OPG or Company) as at and for the three and six month periods ended June 30, 2015. OPG's unaudited interim consolidated financial statements are prepared in accordance with United States generally accepted accounting principles (US GAAP) and are presented in Canadian dollars.

For a complete description of OPG's corporate strategies, risk management, corporate governance, related party transactions, and the effect of critical accounting policies and estimates on OPG's results of operations and financial condition, this MD&A should also be read in conjunction with OPG's audited consolidated financial statements, accompanying notes, and the MD&A as at and for the year ended December 31, 2014.

As required by *Ontario Regulation 395/11*, as amended, a regulation under the *Financial Administration Act* (Ontario), OPG adopted US GAAP for the presentation of its consolidated financial statements, effective January 1, 2012. In 2014, the Ontario Securities Commission approved an exemption which allows OPG to apply US GAAP up to January 1, 2019. The term of the exemption is subject to certain conditions, which may result in the expiry of the exemption prior to January 1, 2019. For details, refer to the heading, *Exemptive Relief for Reporting under US GAAP,* in the section *Changes in Accounting Policies and Estimates* in OPG's 2014 annual MD&A. This MD&A is dated August 19, 2015.

FORWARD-LOOKING STATEMENTS

The MD&A contains forward-looking statements that reflect OPG's current views regarding certain future events and circumstances. Any statement contained in this document that is not current or historical is a forward-looking statement. OPG generally uses words such as "anticipate", "believe", "foresee", "forecast", "estimate", "expect", "schedule", "intend", "plan", "project", "seek", "target", "goal", "strategy", "may", "will", "should", "could" and other similar words and expressions to indicate forward-looking statements. The absence of any such word or expression does not indicate that a statement is not forward-looking.

All forward-looking statements involve inherent assumptions, risks and uncertainties, including those set out under the section *Risk Management*. All forward-looking statements could be inaccurate to a material degree. In particular, forward-looking statements may contain assumptions such as those relating to OPG's fuel costs and availability, generating station performance, cost of fixed asset removal and nuclear waste management, performance of investment funds, repurposing, closure, or decommissioning of generating stations, refurbishment of existing facilities, development and construction of new facilities, pension and other post-employment benefit (OPEB) obligations, income taxes, electricity spot market prices, proposed new legislation, the ongoing evolution of the Ontario electricity industry, environmental and other regulatory requirements, health, safety and environmental developments, business continuity events, the weather, and the impact of regulatory decisions by the Ontario Energy Board (OEB). Accordingly, undue reliance should not be placed on any forward-looking statement. The forward-looking statements included in this MD&A are made only as of the date of this MD&A. Except as required by applicable securities laws, OPG does not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise.

THE COMPANY

OPG is an Ontario-based electricity generation company whose principal business is the generation and sale of electricity in Ontario. OPG was established under the *Business Corporations Act* (Ontario) and is wholly owned by the Province of Ontario (the Province or the Shareholder).

As at June 30, 2015, OPG's electricity generation portfolio had an in-service capacity of 17,059 megawatts (MW). OPG operates two nuclear generating stations, three thermal generating stations, 65 hydroelectric generating stations, and two wind power turbines. In addition, OPG and TransCanada Energy Ltd. co-own the 550 MW Portlands Energy Centre (PEC) gas-fired combined cycle generating station (GS). OPG and ATCO Power Canada Ltd. co-own the 560 MW Brighton Beach gas-fired combined cycle GS (Brighton Beach). OPG's 50 percent share of the in-service capacity and generation volume of these co-owned facilities is included in the Contracted Generation Portfolio segment statistics set out in this report. The income of the co-owned facilities is accounted for using the equity method of accounting, and OPG's share of income is presented in income from investments subject to significant influence under the Contracted Generation Portfolio segment.

OPG also owns two other nuclear generating stations, which are leased on a long-term basis to Bruce Power L.P. (Bruce Power). Income from these leased stations is included in revenue under the Regulated – Nuclear Generation segment. The leased stations are not included in the generation portfolio statistics set out in this report. A description of OPG's segments is provided in OPG's 2014 annual MD&A in the section, *Business Segments*.

The in-service generating capacity by business segment as at June 30, 2015 and December 31, 2014 was as follows:

	As at	
(MW)	**June 30 2015**	**December 31 2014**
Regulated – Nuclear Generation	**6,606**	6,606
Regulated – Hydroelectric	**6,426**	6,426
Contracted Generation Portfolio [1]	**4,027**	4,027
Total	**17,059**	17,059

[1] Includes OPG's share of in-service generating capacity of 275 MW for PEC and 280 MW for Brighton Beach.

HIGHLIGHTS

Overview of Results

This section provides an overview of OPG's unaudited interim consolidated operating results. Significant factors which contributed to OPG's results during the three and six month periods ended June 30, 2015, compared to the same periods in 2014, are discussed below.

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars – except where noted)	**2015**	**2014**	**2015**	**2014**
Revenue	**1,383**	1,098	**2,738**	2,485
Fuel expense	**180**	154	**337**	303
Gross margin	**1,203**	944	**2,401**	2,182
Operations, maintenance and administration	**650**	666	**1,315**	1,336
Depreciation and amortization	**200**	181	**396**	362
Accretion on fixed asset removal and nuclear waste management liabilities	**224**	195	**448**	391
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(141)**	(217)	**(372)**	(377)
Income from investments subject to significant influence	**(11)**	(10)	**(22)**	(23)
Property taxes	**12**	(1)	**25**	10
Restructuring	**1**	10	**1**	12
	935	824	**1,791**	1,711
Income before other loss, interest and income taxes	**268**	120	**610**	471
Other loss	**-**	1	**-**	2
Income before interest and income taxes	**268**	119	**610**	469
Net interest expense	**47**	11	**94**	23
Income before income taxes	**221**	108	**516**	446
Income tax expense (recovery)	**28**	(8)	**84**	87
Net income	**193**	116	**432**	359
Net income attributable to the Shareholder	**189**	115	**423**	357
Net income attributable to non-controlling interest [1]	**4**	1	**9**	2
Electricity production (TWh) [2]	**20.8**	19.8	**42.1**	40.3
Cash flow				
Cash flow provided by operating activities	**450**	205	**905**	633

[1] Relates to the 25 percent interest of the Amisk-oo-Skow Finance Corporation, a corporation wholly owned by the Moose Cree First Nation, in the Lower Mattagami Limited Partnership.

[2] Includes OPG's share of generation volume from its 50 percent ownership interests in PEC and Brighton Beach.

Second Quarter

Net income attributable to the Shareholder was $189 million for the second quarter of 2015, an increase of $74 million compared to the same quarter in 2014. Income before interest and income taxes increased by $149 million. The following summarizes the significant items which contributed to the variances:

Significant factors that increased income before interest and income taxes:

- Increase in revenue of approximately $160 million as a result of higher average sales prices due to new base regulated prices authorized by the OEB effective November 1, 2014 for all of OPG's regulated facilities, including the 48 hydroelectric stations prescribed for rate regulation beginning in 2014

- Higher nuclear gross margin of $65 million as a result of a 1.3 terawatt hour (TWh) increase in nuclear generation
- Higher earnings of $70 million from the Contracted Generation Portfolio segment primarily due to all new units of the Lower Mattagami River hydroelectric generating stations being in service since the end of 2014, and the conversion to biomass of the Atikokan and Thunder Bay generating stations
- Savings in salary costs of $13 million, resulting from lower staff numbers, that contributed to lower operations, maintenance and administration (OM&A) expenses.

Significant factors that reduced income before interest and income taxes:

- Lower earnings on the nuclear fixed asset removal and nuclear waste management funds (Nuclear Funds) of $76 million, net of the impact of the Bruce Lease Net Revenues Variance Account
- Expenses of $85 million deferred in regulatory accounts in 2014 resulting in higher depreciation, accretion, nuclear fuel and OM&A expenses during the second quarter of 2015, compared to the same quarter of 2014. The higher deferrals in 2014 were primarily due to costs not included in the regulated prices in effect prior to November 1, 2014.

Net interest expense increased by $36 million during the second quarter of 2015, compared to the same quarter in 2014, primarily due to costs related to the Niagara Tunnel no longer being deferred in 2015 in the Capacity Refurbishment Variance Account, as the new regulated prices effective November 1, 2014 reflect the impact of the Niagara Tunnel project.

Income tax expense for the three months ended June 30, 2015 was $28 million, compared to an income tax recovery of $8 million for the same quarter in 2014. The increase in income tax expense was primarily due to higher income before taxes in 2015, excluding earnings from the nuclear funds, and a change in reserves from the resolution of uncertainties.

Year-To-Date

Net income attributable to the Shareholder was $423 million for the first six months of 2015, an increase of $66 million compared to the same period in 2014. Income before interest and income taxes increased by $141 million. The following summarizes the significant items which contributed to the variances:

Significant factors that increased income before interest and income taxes:

- Increase in revenue of approximately $140 million as a result of higher average sales prices due to new base regulated prices for all of OPG's regulated facilities authorized by the OEB effective November 1, 2014. The increase in revenue was partially offset by high electricity spot market prices in the first quarter of 2014, resulting in a higher average sales price in the first half of 2014 for the 48 hydroelectric stations prescribed for rate regulation beginning in 2014. Prior to November 1, 2014, the price for generation from these stations was based on the Ontario electricity spot market price.
- Higher nuclear gross margin of $99 million as a result of an increase in nuclear generation of 1.9 TWh
- Higher earnings of $93 million from the Contracted Generation Portfolio segment primarily due to all new units of the Lower Mattagami River hydroelectric generating stations being in service since the end of 2014, and the conversion to biomass of the Atikokan and Thunder Bay generating stations
- Savings in salary costs of $25 million, resulting from lower staff numbers, that contributed to lower OM&A expenses.

Significant factors that reduced income before interest and income taxes:

- Expenses of $163 million deferred in regulatory accounts in 2014 resulting in higher depreciation, accretion, nuclear fuel and OM&A expenses during the first half of 2015, compared to the same period in 2014. The

higher deferrals were primarily due to costs not included in the regulated prices in effect prior to November 1, 2014.
- Decrease in earnings from the Services, Trading, and Other Non-Generation segment of $46 million, primarily due to higher trading margins during the first quarter of 2014 as a result of the unseasonably cold winter.

Net interest expense increased by $71 million for the six months ended June 30, 2015, compared to the same period in 2014, primarily due to the cessation of interest capitalization for the Lower Mattagami River project and costs that are no longer being deferred in 2015 in the Capacity Refurbishment Variance Account in respect of the Niagara Tunnel project.

Segment Results

The following table summarizes OPG's income before interest and income taxes by business segment:

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	**2015**	**2014**	**2015**	**2014**
Income (loss) before interest and income taxes				
Regulated – Nuclear Generation	**98**	(11)	**185**	(11)
Regulated – Hydroelectric	**181**	102	**369**	409
Contracted Generation Portfolio	**79**	9	**141**	48
Total electricity generation business segments	**358**	100	**695**	446
Regulated – Nuclear Waste Management	**(81)**	24	**(72)**	(10)
Services, Trading, and Other Non-Generation	**(9)**	(5)	**(13)**	33
	268	119	**610**	469

Income before interest and income taxes from the electricity generation business segments increased by $258 million during the second quarter of 2015, compared to the same quarter in 2014. The increase was primarily due to higher average sales prices for the generation in the regulated segments as a result of new base regulated prices effective November 1, 2014, and a higher nuclear generation volume. The improvement in earnings in the Contracted Generation Portfolio segment was primarily due to income from the new units of the Lower Mattagami River hydroelectric generating stations and the conversion to biomass of the Atikokan and Thunder Bay generating stations.

Income before interest and income taxes from the electricity generation business segments increased by $249 million for the six months ended June 30, 2015, compared to the same period in 2014. The increase in income from the Regulated – Nuclear Generation segment was primarily due to new regulated prices and increased generation. The improved earnings from the Contracted Generation Portfolio segment primarily reflect income from the new units of the Lower Mattagami River hydroelectric generating stations and the conversion to biomass of the Atikokan and Thunder Bay generating stations. The decrease in income from the Regulated – Hydroelectric segment was primarily due to high electricity spot market prices during the first quarter of 2014 received for production from the 48 hydroelectric stations prescribed for rate regulation beginning in 2014, due to the unseasonably cold winter.

The decrease in earnings for the Regulated – Nuclear Waste Management business segment was $105 million during the second quarter of 2015, compared to the same quarter in 2014, primarily due to unfavourable market conditions and a lower Ontario Consumer Price Index (Ontario CPI). The lower Ontario CPI reduced the committed return on the portion of the Used Fuel Fund guaranteed by the Province. The decrease in earnings for the quarter also reflected a higher accretion expense in 2015.

The decrease in earnings from the Regulated – Nuclear Waste Management business segment was $62 million for the six months ended June 30, 2015, compared to the same period in 2014, primarily due to a lower Ontario CPI and a higher accretion expense in 2015.

Electricity Generation

Electricity generation for the three and six month periods ended June 30, 2015 and 2014 was as follows:

	Three Months Ended June 30		Six Months Ended June 30	
(TWh)	**2015**	**2014**	**2015**	**2014**
Regulated – Nuclear Generation	**12.3**	11.0	**24.5**	22.6
Regulated – Hydroelectric				
Existing regulated hydroelectric generating stations	**4.6**	4.7	**9.3**	9.5
Hydroelectric generating stations prescribed for rate regulation beginning in 2014	**3.0**	3.3	**6.5**	6.6
Contracted Generation Portfolio[1]	**0.9**	0.8	**1.8**	1.6
Total OPG electricity generation	**20.8**	19.8	**42.1**	40.3
Total electricity generation by all other generators in Ontario	**15.8**	16.7	**37.4**	36.6

[1] Includes OPG's share of generation volume from its 50 percent ownership interests in PEC and Brighton Beach.

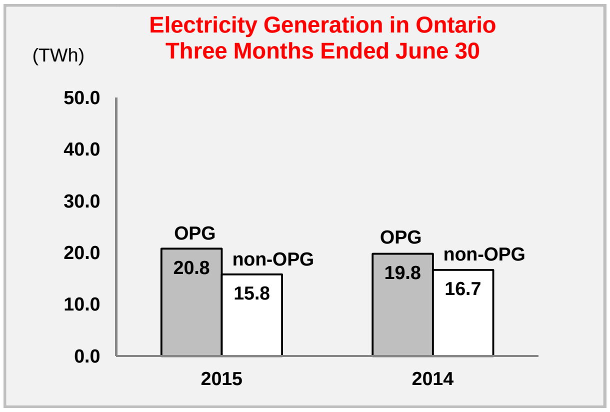
Higher nuclear generation of 1.3 TWh during the second quarter of 2015, compared to the same quarter in 2014, was primarily due to the timing of planned outages at the Darlington GS. The scheduled planned outage at the Darlington GS will take place in September 2015 to coincide with the beginning of the Vacuum Building Outage (VBO). In 2014, the planned outage at the Darlington GS occurred in the spring. The VBO will require the shutdown of all four units at the Darlington GS for the duration of the outage. This is the last VBO prior to the execution of the Darlington Refurbishment project and, therefore, execution is a critical step in ensuring the project's success. Lower generation of 0.4 TWh from the Regulated – Hydroelectric segment during the second quarter of 2015 was primarily due to higher lost generation as a result of surplus baseload generation (SBG) conditions, which are described below, as well as decreased production due to lower water flows in eastern and northwestern Ontario.

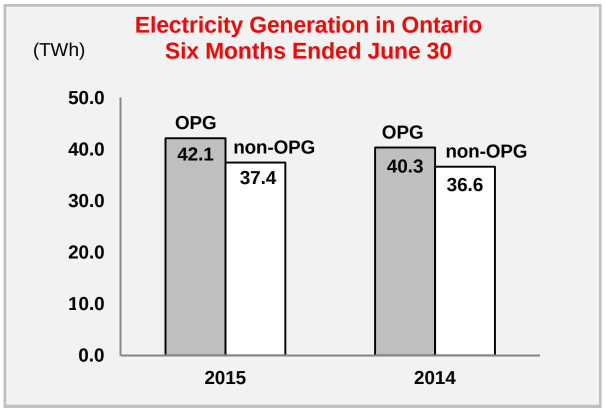
The new units of the Lower Mattagami River hydroelectric generating stations contributed additional generation of 0.3 TWh in the Contracted Generation Portfolio segment during the second quarter of 2015, compared to the same quarter in 2014. The increase was partially offset by lower generation at other stations in the segment.

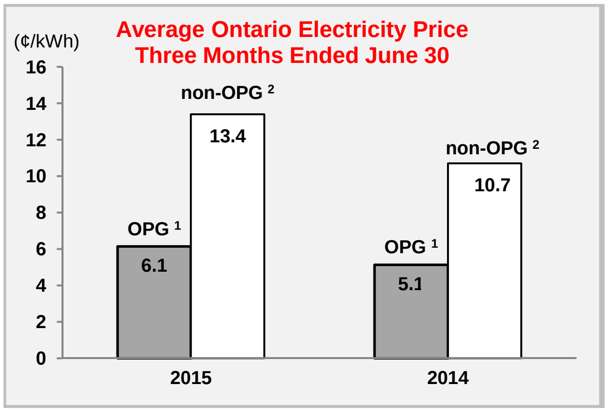
For the six months ended June 30, 2015, the increase in generation of 1.8 TWh was mainly due to higher generation from the Regulated – Nuclear Generation segment. The increase in nuclear generation of 1.9 TWh was mainly due to fewer planned outage days at the Darlington GS, compared to the same period in 2014, as a result of the timing of planned outages. For the Regulated – Hydroelectric segment, the decrease in generation during the first half of 2015, compared to the same period in 2014, was primarily due to higher lost generation as a result of SBG conditions, partially offset by higher water flows. The new units of the Lower Mattagami River hydroelectric generating stations contributed additional generation of 0.4 TWh in the Contracted Generation Portfolio segment during the first half of 2015, largely offset by higher production from the Lennox GS in the first half of 2014.

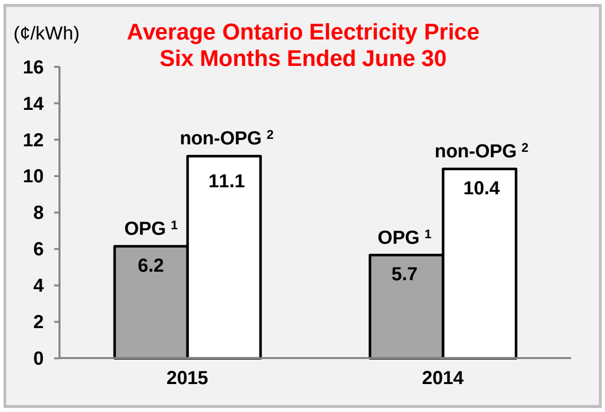
OPG's operating results are affected by changes in electricity demand resulting from variations in seasonal weather conditions and changes in economic conditions. Ontario demand was 31.6 TWh during the second quarter of 2015, down from 32.7 TWh during the same quarter of 2014. For the six months ended June 30, 2015, Ontario demand was 69.0 TWh, compared to 71.1 TWh for the same period in 2014.

Baseload supply surplus to Ontario demand increased for the six months ended June 30, 2015, compared to the same period in 2014, as a result of lower demand combined with increased baseload generation. The surplus to the Ontario market is managed by the Independent Electricity System Operator (IESO), mainly through generation reductions at hydroelectric and nuclear stations, and grid-connected renewable resources. Generation reductions at hydroelectric stations for SBG management will often result in spilling of water. Reducing hydroelectric production is the first measure that the IESO uses to manage SBG. The gross margin impact of production forgone at OPG's regulated hydroelectric stations due to SBG conditions is offset by a regulatory variance account authorized by the OEB. During the second quarter of 2015, OPG lost 1.2 TWh of hydroelectric generation due to SBG conditions, compared to 0.7 TWh during the same quarter in 2014. During the six months ended June 30, 2015, OPG lost 1.5 TWh of hydroelectric generation due to SBG conditions, compared to 0.8 TWh during the same period in 2014.









[1] Average revenue for OPG is comprised of revenues from regulated prices established by the OEB, market based revenues, and revenues from Energy Supply Agreements (ESAs). Average revenue for OPG excludes OPG's share of revenues and generation from PEC and Brighton Beach. The 2014 average revenue for OPG also excludes the revenue from the cost recovery agreement for costs related to Nanticoke GS and Lambton GS which were shut down in 2013.

[2] Average revenue for other electricity generators is comprised of hourly Ontario demand multiplied by the Hourly Ontario Energy Price (HOEP), plus total global adjustment payments, plus the sum of hourly net exports multiplied by the HOEP, less OPG's generation revenue.

Average Sales Prices

OPG's average revenue reflects the average sales prices for all of its electricity generation segments. The majority of OPG's generation is from the Regulated – Nuclear Generation and Regulated – Hydroelectric segments. The regulated prices authorized by the OEB for electricity generated from OPG's nuclear and regulated hydroelectric generating stations are discussed in OPG's annual MD&A under the heading, *Revenue Mechanisms for Regulated and Unregulated Generation*.

The average sales price for the Regulated – Nuclear Generation segment during the three and six month periods ended June 30, 2015 was 6.0 cents per kilowatt hour (¢/kWh), compared to 5.5 ¢/kWh during the same periods in 2014. The increase was primarily due to a higher OEB-approved base regulated price, effective November 1, 2014. The increase was partially offset by a lower rate rider during 2015 related to the recovery of approved variance and deferral account balances.

The average sales price for the Regulated – Hydroelectric segment during the second quarter of 2015 was 4.5 ¢/kWh, compared to 3.4 ¢/kWh during the same quarter in 2014. The increase was primarily due to new OEB-approved base regulated prices for all of OPG's regulated hydroelectric stations effective November 1, 2014 and a higher rate rider effective January 1, 2015.

During the six months ended June 30, 2015 and June 30, 2014, the average sales price for the Regulated – Hydroelectric segment was 4.5 ¢/kWh, as the impact of the new base regulated prices effective November 1, 2014 was offset by the impact of high electricity spot market prices received during the first quarter of 2014 for production from the 48 hydroelectric stations prescribed for rate regulation beginning in 2014.

Cash Flow from Operations

Cash flow provided by operating activities for the three months ended June 30, 2015 was $450 million, compared to $205 million for the same quarter in 2014. Cash flow provided by operating activities for the six months ended June 30, 2015 was $905 million, compared to $633 million for the same period in 2014. The increases in cash flow provided by operating activities were primarily due to new regulated prices, higher generation volumes, and lower OM&A payments. These increases were partially offset by higher pension plan contributions and income tax instalments in 2015.

Funds from Operations Interest Coverage

Funds from Operations (FFO) Interest Coverage is an indicator of OPG's ability to meet interest obligations from operating cash flows. FFO Interest Coverage is measured over a 12-month period. FFO Interest Coverage for the twelve months ended June 30, 2015 was 3.8 times compared to 2.8 times to December 31, 2014. The FFO Interest Coverage increased primarily due to higher cash flows provided by operating activities and lower adjusted interest expense resulting from an increase in the expected return on pension plan assets in 2015. The increase in the expected return was mainly due to higher pension plan assets at the end of 2014 compared to 2013, as a result of the strong performance of the pension plan assets during 2014.

Return on Common Equity

Return on Common Equity (ROE) is an indicator of OPG's performance consistent with its objectives to operate on a financially sustainable basis and to enhance value for the Shareholder. ROE is measured over a 12-month period. ROE for the twelve months ended June 30, 2015 was 8.9 percent compared to 8.5 percent to December 31, 2014. The increase is primarily due to an increase in net income for the 12-month period. The ROE, excluding the extraordinary gain of $243 million recognized in 2014 related to the 48 hydroelectric stations prescribed for rate regulation beginning in 2014, was 6.5 percent for the twelve months ended June 30, 2015, which was an increase from 6.0 percent for the twelve months ended December 31, 2014.

FFO Interest Coverage and ROE are not measurements in accordance with US GAAP and should not be considered as alternative measures to net income, cash flows from operating activities, or any other measure of performance under US GAAP. OPG believes that these non-GAAP financial measures are effective indicators of performance and are consistent with its corporate strategy to operate on a financially sustainable basis. The definition and calculation of FFO Interest Coverage and ROE can be found under the section, *Supplementary Non-GAAP Financial Measures.*

Recent Developments

OEB Application to Recover Balances in Variance and Deferral Accounts

In June 2015, the OEB approved a partial settlement agreement between OPG and intervenors on OPG's application to recover approximately $1.8 billion in December 31, 2014 balances in most of the authorized regulatory variance and deferral accounts (Partial Settlement Agreement). This approval covers approximately $1.5 billion of the total amount sought by OPG. The approval includes recovery of approximately $715 million in the Pension and OPEB Cost Variance Account, recorded during 2013 and 2014, over six years starting on July 1, 2015. The remaining approved balances include $225 million recorded in the Pension and OPEB Cost Variance Account prior to 2013 that will continue to be recovered until December 31, 2024 as previously authorized by the OEB, and approximately $550 million in other account balances, the majority of which has been approved for recovery over a period of 18 months. The Partial Settlement Agreement also resulted in $2 million of interest recorded in the Bruce Lease Net Revenues Variance Account being written off in the second quarter of 2015.

Variance and deferral account balances totalling approximately $260 million as at December 31, 2014 are being disputed by intervenors and are not covered by the Partial Settlement Agreement. These balances pertain to amounts recorded by OPG in certain accounts during January 1, 2014 to October 31, 2014. The recovery of these balances will be decided by the OEB following a written hearing, which concluded in July 2015. The OEB's decision on these balances and its order establishing new rate riders for recovery of all approved balances are expected later in 2015.

As the rate riders will be established to collect balances previously recorded in variance and deferral accounts, the resulting increase in revenue is expected to be largely offset by an increase in amortization expense. Therefore, while the recovery of the OEB-approved balances will positively impact cash flow, it is not expected to materially affect OPG's income.

Power Workers' Union Collective Agreement

The Power Workers' Union (PWU) represents approximately 5,500 OPG regular employees or approximately 60 percent of OPG's regular workforce. The previous collective agreement between OPG and the PWU expired on March 31, 2015. During the second quarter of 2015, the parties agreed to renew the collective agreement for a three-year term, expiring on March 31, 2018.

The agreement includes increases to employee pension plan contributions in each year of the agreement. The agreement will also provide existing employees with lump sum payments for each of the first two years of the contract and eligibility to annually receive shares in Hydro One Inc. for up to 15 years, as long as these employees continue to make contributions to the OPG pension plan. The contract term is subject to the completion of the planned initial public offering of Hydro One Inc. shares by December 31, 2015. If this deadline is not met, the new agreement will default to a one-year term expiring on March 31, 2016.

Newly-Appointed Chief Executive Officer (CEO)

The OPG Board of Directors has appointed a new President and CEO to succeed Tom Mitchell who is retiring from OPG. On July 22, 2015, Bernard Lord, the Chair of OPG's Board of Directors, announced Jeffrey Lyash as the new CEO, following a global search. The appointment is effective August 21, 2015.

CORE BUSINESS AND STRATEGY

OPG's mandate is to reliably and cost-effectively produce electricity from its diversified portfolio of generating assets, while operating in a safe, open, and environmentally responsible manner. The following sections provide an update to OPG's disclosures related to operational excellence, project excellence, and financial sustainability. A detailed discussion of OPG's three corporate strategies is included in the 2014 annual MD&A under the headings *Operational Excellence, Project Excellence,* and *Financial Sustainability*.

Operational Excellence

OPG is committed to excellence in the areas of generation, safety and the environment. Operational excellence at OPG's nuclear, hydroelectric and thermal generating facilities is accomplished by generating electricity in a safe, reliable, and cost-effective manner.

Nuclear Generating Assets

Operational excellence at OPG's nuclear generating facilities is defined as safely and reliably generating cost-effective electricity. The four cornerstones of OPG's nuclear operations are safety, reliability, human performance, and value for money. Employee, environmental, and nuclear safety are overriding priorities.

OPG continues to make investments to improve the performance of the Pickering GS through to at least 2020, with a focus on implementing equipment modifications and fuel handling reliability improvements, reducing equipment maintenance backlogs, and completing critical and high priority work. OPG also continues to evaluate options related to the Pickering GS end of life date.

OPG's commitment to employee safety has contributed to the Pickering GS achieving more than 5 million hours without a lost-time accident during the second quarter of 2015.

Planning activities continued to progress during the second quarter of 2015 in preparation for the Darlington GS VBO scheduled to begin in September 2015. A station-wide VBO is required at the Darlington GS every 12 years and will require the shutdown of all four units for the duration of the outage.

In December 2013, OPG submitted a licence renewal application to the Canadian Nuclear Safety Commission (CNSC) for the Darlington GS that would span the planned refurbishment period. The hearing dates for the licence renewal application have been scheduled for August and November 2015. The existing licence for the Darlington GS expires on December 31, 2015.

In June 2015, OPG hosted a World Association of Nuclear Operators (WANO) peer evaluation for the Pickering GS, which focused on the safe and reliable operation of the station. The review confirmed that the Pickering GS continues to operate at high levels of safety. In November 2015, OPG will also be hosting a corporate WANO peer evaluation for OPG's support functions, which will focus on how these functions support the nuclear stations in their day-to-day operations. These evaluations are led by an international panel of industry experts.

Generation and reliability at the nuclear generating stations for the three and six month periods ended June 30, 2015 are discussed under the heading *Regulated – Nuclear Generation Segment* in the section *Discussion of Operating Results by Business Segment*.

Hydroelectric Generating Assets

OPG's hydroelectric generating stations that are prescribed for rate regulation by the OEB are included in the Regulated – Hydroelectric segment. Hydroelectric generating stations that are not subject to rate regulation by the OEB are included in the Contracted Generation Portfolio segment. A description of these reportable business segments is included under the heading, *OPG's Reporting Structure* in OPG's 2014 annual MD&A.

OPG continues to evaluate and implement plans to increase capacity, maintain performance, and extend the operating life of its hydroelectric generating assets. During the second quarter of 2015, OPG performed major equipment overhauls and rehabilitation work on the Chats Falls GS, Sir Adam Beck Pump GS Unit 5, and Lower Notch GS Units 1 and 2. Other hydroelectric generation development projects are discussed under the heading, *Project Excellence*.

Thermal Generating Assets

OPG's biomass and oil/gas fuelled generating stations are included in the Contracted Generation Portfolio segment. These stations operate as peaking facilities, depending on electricity demand. Ontario is the first jurisdiction in North America to fully eliminate coal as a source of electricity generation.

Thermal assets that are no longer available to generate electricity are included in the Services, Trading, and Other Non-Generation segment once the assets are removed from service. This includes the Nanticoke GS and the Lambton GS sites, which ended coal-fired generation in 2013. OPG believes that there is value in preserving both the Nanticoke GS and the Lambton GS sites so that they may be available for conversion to natural gas and/or biomass in the future, should the need arise. However, with no mechanism to recover the costs of continuing to preserve the conversion option, OPG cannot commercially support further preservation costs and has announced that it will decommission the Nanticoke GS. OPG will continue to preserve the option to convert the Lambton GS to natural gas and/or biomass. The decision to continue to incur preservation costs for Lambton GS will be revisited in conjunction with Ontario's next Long-Term Energy Plan which is expected to be developed in 2016. The costs of decommissioning the Nanticoke GS will be charged to a previously established decommissioning provision, and the cost of activities required to preserve the Lambton GS will continue to be reflected in the operating costs of the Services, Trading, and Other Non-Generation segment.

Environmental Performance

During the second quarter of 2015, OPG's facilities continued to demonstrate strong environmental performance against targets, and there were no significant environmental events.

Radiation exposure to members of the public resulting from the operation of OPG's nuclear generating station is estimated on an annual basis for those individuals who live or work near the stations. In the second quarter of 2015, public radiation doses for the 2014 operating year were finalized. The public doses for the Darlington and Pickering sites during the 2014 operating year continued to be approximately 0.1 percent of the annual legal limit of 1,000 microsieverts.

In June 2015, the Canadian Electricity Association recognized OPG with its 2015 Sustainable Electricity Award for Environmental Commitment for the conversion of the Atikokan and Thunder Bay generating stations from coal to biomass. The conversions demonstrate OPG's achievement in mitigating its environmental impacts, and in contributing to the socio-economic prosperity of northern Ontario communities.

There were no significant changes to environmental legislation affecting the Company during the second quarter of 2015. Disclosures relating to environmental policies and procedures and environmental risks are provided in the 2014 annual MD&A.

Project Excellence

OPG is pursuing several generation development projects to support Ontario's long-term electricity supply requirements. OPG's major projects include the refurbishment of the Darlington GS, new hydroelectric generation developments and plant expansions, and a repository for the long-term management of the low and intermediate level waste (L&ILW). The status updates for OPG's current major projects as of June 30, 2015 are outlined below.

Project *(millions of dollars)*	**Capital expenditures** **Year-to-date**	**Life-to-date**	**Approved budget**	**Approved planned in-service date**	**Status**
Darlington Refurbishment	329	1,791			The final budget and schedule for the refurbishment of the four units are expected to be completed in 2015. See update below.
Lower Mattagami	68	2,437	2,600	June 2015	All six units were placed in-service by December 2014 ahead of schedule and under budget. Project closure activities are continuing.
Deep Geologic Repository for L&ILW[1]	5 [1]	184 [1]			See update below.
Peter Sutherland Sr. GS	27	39	300	First half of 2018	The budget was approved during the first quarter of 2015, and the hydroelectric ESA with the IESO was executed in the second quarter of 2015. See update below.

[1] Expenditures are funded by the nuclear fixed asset removal and nuclear waste management liabilities.

Darlington Refurbishment

The Darlington Refurbishment project is a multi-phase program comprised of the following five major sub-projects:

- Retube and Feeder Replacement
- Turbines and Generators
- Defueling and Fuel Handling
- Steam Generators
- Balance of Plant.

The definition phase of the project is well underway and is on track to be completed in 2015. The definition phase involves project planning, engineering, design and construction of pre-requisite projects, development of reactor tooling, and construction of a reactor training facility including a full-scale reactor mock-up. In 2016, OPG expects to commence the first unit outage and execution of the refurbishment activities.

In November 2014, OPG's Board of Directors approved the funding for the remainder of the refurbishment's definition phase. This request included funding for 2015 deliverables and reconfirmed the total project cost estimate at less than $10 billion in 2013 dollars, excluding capitalized interest and escalation. The final budget and schedule for the four-unit refurbishment are on track to be completed and presented to OPG's Board of Directors for approval during the fourth quarter of 2015. Once approved, the budget and schedule are expected to be submitted for Shareholder concurrence.

There are a number of pre-requisite projects, including construction of facilities, infrastructure upgrades, and installation of safety enhancements, currently underway at the Darlington GS, to be completed in advance of the execution phase of the project. These pre-requisite projects are tracking to be completed to support the execution of the first unit's refurbishment commencing in 2016. Construction activities for the Heavy Water Storage and Drum Handling Facility continued during the second quarter of 2015. During the third quarter of 2015, a vendor was selected for the next phase of construction for this facility, which is expected to be operational to support refurbishment.

The Retube and Feeder Replacement project is the largest sub-project of the Darlington Refurbishment project and represents a majority of the critical path schedule. Retube and Feeder Replacement tool performance is a key component in establishing the execution phase critical path schedule. Tool performance testing at the reactor training facility was completed during the second quarter of 2015 with positive results. The remaining Darlington Refurbishment sub-projects are on plan to support the execution of the first unit's refurbishment commencing in 2016. During the second quarter of 2015, an industrial contractor with significant field construction experience was selected to assist in the active management and oversight of the project's field activities.

Deep Geologic Repository for L&ILW

In 2012, the CNSC and the Canadian Environmental Assessment Agency (CEAA) appointed a three-member Joint Review Panel (JRP) for OPG's Deep Geologic Repository (DGR) for L&ILW. The JRP examined the environmental effects of the proposed DGR to meet the requirements of the *Canadian Environmental Assessment Act*. On May 6, 2015, the JRP submitted its report and recommendations on the Environmental Assessment (EA) to the federal Minister of Environment. The report concluded that, given mitigation, there is unlikely to be significant environmental impact from the project and recommended that the Minister approve the EA. The report further suggested that the project should be implemented expeditiously. During the second quarter of 2015, the CEAA announced that the public has until September 1, 2015 to provide comments on the potential conditions relating to the JRP report. The CEAA has stated that the Minister's decision on the EA is currently expected by December 2, 2015.

Peter Sutherland Sr. GS

In March 2015, OPG's Board of Directors approved the project to construct the Peter Sutherland Sr. GS, a new 28 MW station on the New Post Creek near its outlet to the Abitibi River, with a planned in-service date in the first half of 2018 and an approved budget of $300 million. The station will be constructed through a partnership between OPG and Coral Rapids L.P., a wholly owned subsidiary of the Taykwa Tagamou Nation. Under the partnership agreement, Coral Rapids L.P. may acquire up to a 33 percent interest in the partnership. During the second quarter of 2015, a hydroelectric ESA for the station was executed by the IESO and the partnership. The hydroelectric ESA formalizes the long-term financial agreement with the IESO for the development of the station and the supply of electricity and related products to the Ontario market. Construction work on the project commenced in the second quarter of 2015.

Financial Sustainability

As a commercial enterprise, OPG's financial priority is to achieve a consistent level of financial performance that will ensure its long-term financial sustainability and enhance the value of its assets for its Shareholder – the Province of Ontario.

Inherent in this priority are three objectives:

- Enhancing profitability by increasing revenue
- Improving efficiency and reducing costs
- Ensuring a strong financial position that enables OPG to finance its operations and generation development projects.

Revenue Growth

Regulated Assets

Electricity produced from the regulated facilities receives regulated prices determined by the OEB. OPG's objectives with respect to its regulated operations are to clearly demonstrate that the costs for these operations are prudently incurred and should be fully recovered, and to earn an appropriate return on the investment in these assets.

In December 2014, OPG filed an application with the OEB requesting approval to recover approximately $1.8 billion in December 31, 2014 balances in most of the authorized regulatory variance and deferral accounts, through new rate riders beginning on July 1, 2015. In June 2015, the OEB approved the Partial Settlement Agreement between OPG and intervenors that allows approximately $1.5 billion of the total amount sought by OPG. The OEB's decision on the remaining amount of approximately $260 million, which is disputed by intervenors, is expected later in 2015. Refer to the *Recent Developments* section for more details on the Partial Settlement Agreement.

During the quarter, OPG re-evaluated the timing of rate applications for its regulated hydroelectric and nuclear facilities. OPG currently plans to apply to the OEB in 2016 for new regulated prices for production from these facilities, effective in 2017. The OEB's expectation is that these prices would be determined on the basis of an incentive regulation ratemaking methodology for the hydroelectric operations, and a longer term, multi-year forecast cost of service ratemaking approach with incentive regulation features for the nuclear operations.

Assets under Contracts

OPG has negotiated ESAs for most of its unregulated hydroelectric and thermal facilities. In June 2015, a hydroelectric ESA was executed with the IESO for the 28 MW Peter Sutherland Sr. GS located on the New Post Creek.

Earlier in 2015, the IESO launched the first phase of the Large Renewable Procurement program, which is a competitive bidding process for procuring large renewable energy projects in Ontario. OPG has qualified as an eligible applicant in the process for both ground mounted solar and hydroelectric projects and plans to submit proposals for both technologies by the IESO's September 1, 2015 deadline.

OPG continues to evaluate and explore other energy projects including opportunities for redevelopment of existing assets, and energy storage.

Improving Efficiency and Reducing Costs

OPG remains focused on reducing costs by pursuing efficiency and productivity improvements across operating business units and support functions. In the first quarter of 2015, OPG successfully integrated enterprise systems that support plant operations, purchasing, payments and time reporting to increase efficiencies.

From January 1, 2011 to December 31, 2014, OPG reduced headcount from ongoing operations by approximately 2,200. During the first six months of 2015, OPG further reduced staff from ongoing operations by approximately 300. From January 1, 2011 to June 30, 2015, OPG has realized cumulative savings of approximately $730 million through headcount reductions.

Strengthening Financial Position

In addition to initiatives to increase revenue, achieve efficiencies, and reduce costs, OPG also employs the following four strategies to strengthen its financial position. The following are updates to the strategies since the 2014 annual MD&A:

- **Ensuring sufficient liquidity:** During the first six months of 2015, cash flow provided by operating activities increased to $905 million, compared to $633 million for the same period in 2014. In 2015, OPG renewed and extended its $1 billion bank credit facility to May 2020.

- **Maintaining an investment grade credit rating:** In March 2015, DBRS Ltd. re-affirmed the long-term credit rating on OPG's debt at A (low), and the commercial paper rating at R-1 (low). All ratings from DBRS Ltd. have a stable outlook. On July 7, 2015, Standard & Poor's lowered OPG's long-term corporate credit rating from 'A-' to 'BBB+' with a stable outlook. Standard & Poor's rating action follows its July 6, 2015 downgrade to the Province of Ontario's rating from 'AA-' to 'A+'.
- **Ensuring that generation development projects are economic and provide for cost recovery and an appropriate return:** During the first six months of 2015, OPG negotiated an ESA for the Peter Sutherland Sr. GS as discussed under the heading *Project Excellence* in the section, *Core Business and Strategy.*
- **Evaluating financial performance:** OPG continuously evaluates its financial performance using key financial metrics. For further details, refer to the ROE and FFO Interest Coverage disclosure under the heading, *Supplementary Non-GAAP Financial Measures*.

DISCUSSION OF OPERATING RESULTS BY BUSINESS SEGMENT

Regulated – Nuclear Generation Segment

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	**2015**	**2014**	**2015**	**2014**
Regulated generation sales	**735**	606	**1,469**	1,244
Variance accounts	**2**	(72)	**43**	(164)
Other	**73**	149	**111**	311
Total revenue	**810**	683	**1,623**	1,391
Fuel expense	**77**	73	**157**	149
Variance and deferral accounts	**2**	(17)	**-**	(33)
Total fuel expense	**79**	56	**157**	116
Gross margin	**731**	627	**1,466**	1,275
Operations, maintenance and administration	**514**	502	**1,041**	1,013
Depreciation and amortization	**113**	129	**227**	259
Property taxes	**6**	7	**13**	14
Income (loss) before interest and income taxes	**98**	(11)	**185**	(11)

The increase in income before interest and income taxes of $109 million during the second quarter of 2015, compared to the same quarter in 2014, was primarily a result of higher generation of 1.3 TWh and an increase in the OEB-approved base regulated price effective November 1, 2014. The increase in generation was primarily due to fewer planned outage days at the Darlington GS as a result of the timing of planned outages during the year in 2015, compared to 2014.

The increase in income before interest and income taxes was partially offset by additional depreciation expenses of $32 million and additional fuel and OM&A expenses of $19 million each during the second quarter of 2015, compared to the same quarter in 2014, as a result of higher amounts deferred in regulatory accounts during the second quarter of 2014. The higher deferrals in 2014 primarily related to costs not included in the regulated prices in effect prior to November 1, 2014.

During the six months ended June 30, 2015, compared to the same period in 2014, the increase in income before income taxes of $196 million was primarily due to the higher OEB-approved base regulated price effective November 1, 2014 and an increase in generation of 1.9 TWh. This increase was partially offset by additional depreciation expenses of $63 million, additional fuel expense of $33 million and additional OM&A expenses of $36 million during the first half of 2015 due to higher amounts deferred in regulatory accounts during the same period in 2014.

The revenue impact of the lower rate rider for 2015 was largely offset by a corresponding decrease in amortization expense related to regulatory balances. The increase in OM&A expenses in 2015 was partially offset by lower salary costs.

The decrease in other revenue for the three and six month periods ended June 30, 2015, compared to the same periods in 2014, was primarily due to the change in the fair value of the derivative liability embedded in the terms of the Bruce Power lease agreement (Bruce Lease). The changes in the fair value of this derivative are recorded in other revenue, with a corresponding change in the regulatory asset related to the Bruce Lease Net Revenues Variance Account. As such, there was no income impact related to the change in the fair value of the derivative liability.

The Unit Capability Factors for the Darlington and Pickering generating stations and the Nuclear Total Generating Cost (TGC) per MWh were as follows:

	Three Months Ended June 30		**Six Months Ended June 30**	
	2015	**2014**	**2015**	**2014**
Unit Capability Factor *(%)*				
Darlington GS	**91.5**	77.6	**94.7**	86.7
Pickering GS	**80.0**	77.4	**76.5**	72.0
Nuclear TGC per MWh *($/MWh)*	**50.47**	52.38	**51.41**	52.02

The increase in the Unit Capability Factor at the Darlington GS for the three months ended June 30, 2015, compared to the same quarter in 2014, was primarily due to the timing of planned outages at the Darlington GS. The scheduled outage at Darlington GS in 2015 will take place in September, in conjunction with the commencement of the upcoming VBO. In 2014, the scheduled outage at the Darlington GS occurred in the spring. The increase in the Unit Capability Factor at the Pickering GS was primarily due to higher reliability as the number of unplanned outage days decreased, partially offset by an increase in planned outage days. Improvements in reliability primarily associated with fuel handling equipment contributed to better results at the Pickering GS.

The increase in the Unit Capability Factor at the Darlington GS for the six months ended June 30, 2015 was also primarily due to a decrease in planned outage days as a result of the timing of the planned outages. The increase in the Unit Capability Factor at the Pickering GS during the six months ended June 30, 2015, compared to the same period in 2014, was primarily due to a decrease in the number of unplanned outage days.

The decrease in Nuclear TGC per MWh during the three and six month periods ended June 30, 2015, compared to the same periods in 2014, reflected increased production, slightly offset by higher OM&A expenses.

Regulated – Nuclear Waste Management Segment

(millions of dollars)	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
Revenue	**29**	29	**61**	58
Operations, maintenance and administration	**30**	31	**64**	62
Accretion on nuclear fixed asset removal and nuclear waste management liabilities	**221**	191	**441**	383
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(141)**	(217)	**(372)**	(377)
(Loss) income before interest and income taxes	**(81)**	24	**(72)**	(10)

Lower earnings from the Nuclear Funds contributed to a loss for the segment for the three months ended June 30, 2015, compared to income for the same quarter in 2014. The decrease in fund earnings was primarily due to unfavourable market conditions and a lower Ontario CPI. The lower Ontario CPI reduced the committed return on the portion of the Used Fuel Fund guaranteed by the Province. A higher accretion expense also contributed to the segment loss in the second quarter of 2015. The higher accretion expense was primarily due to higher amounts deferred in regulatory accounts during the second quarter of 2014. The higher deferrals in 2014 related to costs not included in the nuclear regulated price in effect prior to November 1, 2014.

A higher accretion expense as a result of higher deferrals in regulatory accounts in 2014 was the primary driver of the higher segment loss for the six months ended June 30, 2015, compared to the same period in 2014.

Regulated – Hydroelectric Segment

(millions of dollars)	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
Regulated generation sales	**336**	184	**709**	373
Spot market sales	**-**	88	**-**	348
Variance accounts	**46**	8	**33**	9
Other	**27**	36	**61**	82
Total revenue	**409**	316	**803**	812
Fuel expense	**76**	81	**145**	150
Variance accounts	**13**	6	**15**	8
Total fuel expense	**89**	87	**160**	158
Gross margin	**320**	229	**643**	654
Operations, maintenance and administration	**79**	85	**154**	161
Depreciation and amortization	**60**	41	**120**	82
Income before other loss, interest and income taxes	**181**	103	**369**	411
Other loss	**-**	1	**-**	2
Income before interest and income taxes	**181**	102	**369**	409

[1] During the three and six month periods ended June 30, 2015, the Regulated – Hydroelectric segment generation sales included incentive payments of $4 million and $14 million, respectively, related to the OEB approved hydroelectric incentive mechanism (three and six month periods ended June 30, 2014 – $5 million and $12 million, respectively). The mechanism provides a pricing incentive to OPG to shift hydroelectric production from lower market price periods to higher market price periods, reducing the overall costs to ratepayers.

Income before interest and income taxes increased by $79 million during the second quarter of 2015, compared to the same quarter in 2014. The increase in income was largely the result of new base regulated prices authorized by the OEB effective November 1, 2014.

Income before interest and income taxes decreased by $40 million during the six months ended June 30, 2015, compared to the same period in 2014. The decrease in income was largely the result of higher average sales prices during the first quarter of 2014 for production from the 48 newly regulated hydroelectric stations, which received prices based on electricity market prices prior to November 2014, and lower other station revenue. The higher average price for the 48 newly regulated stations during the first half of 2014 was a result of high electricity spot market prices in the first quarter of 2014 due to the unseasonably cold winter. The decrease in income was partially offset by the new OEB-approved base regulated price for the existing regulated hydroelectric facilities effective November 1, 2014.

The revenue impact of a higher rate rider approved by the OEB effective January 1, 2015 was largely offset by a corresponding increase in amortization expense related to regulatory balances.

The Regulated – Hydroelectric availability and OM&A expense per MWh were as follows:

	Three Months Ended June 30		**Six Months Ended June 30**	
	2015	**2014**	**2015**	**2014**
Hydroelectric Availability *(%)*	**92.1**	91.2	**91.8**	91.8
Hydroelectric OM&A expense per MWh *($/MWh)*	**10.4**	9.8	**9.8**	9.6

The higher hydroelectric availability for the second quarter of 2015, compared the same quarter of 2014, was due to a decrease in unplanned outage days. The hydroelectric availability during the six months ended June 30, 2015 was comparable to the availability during the same period in 2014.

The increase in hydroelectric OM&A expense per MWh for the three and six month periods ended June 30, 2015, compared to the same periods in 2014, was primarily due to lower generation.

Contracted Generation Portfolio Segment

	Three Months Ended June 30		**Six Months Ended June 30**	
(millions of dollars)	**2015**	**2014**	**2015**	**2014**
Revenue	**144**	64	**267**	157
Fuel expense	**11**	11	**18**	27
Gross margin	**133**	53	**249**	130
Operations, maintenance and administration	**43**	43	**87**	86
Depreciation and amortization	**18**	6	**35**	11
Accretion on fixed asset removal liabilities	**2**	2	**4**	4
Property taxes	**2**	(4)	**4**	(3)
Income from investments subject to significant influence	**(11)**	(10)	**(22)**	(23)
Restructuring	**-**	7	**-**	7
Income before interest and income taxes	**79**	9	**141**	48

Income before interest and income taxes increased by $70 million during the second quarter of 2015 and $93 million for the six months ended June 30, 2015, compared to the same periods in 2014. The increases were primarily due to higher revenue from the stations of the Lower Mattagami River project, due to all new units being in service since the end of 2014. Also contributing to the higher income in 2015 was higher revenue from the Atikokan GS and the Thunder Bay GS, which have been converted to biomass fuel.

The higher income for the three and six month periods ended June 30, 2015 was partially offset by lower revenue from the Lennox GS, primarily as a result of higher average sales prices during the first half of 2014, and higher restructuring expenses in the second quarter of 2014 related to staffing requirement changes at the Thunder Bay GS prior to its conversion to biomass. Higher depreciation expense during the three and six month periods ended

June 30, 2015, compared to the same periods in 2014, was primarily due to the new assets that were placed in service as part of the Lower Mattagami River and biomass conversion projects.

The hydroelectric availability, hydroelectric OM&A expense per MWh, and the thermal Equivalent Forced Outage Rate (EFOR) for the segment were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2015	**2014**	**2015**	**2014**
Hydroelectric Availability *(%)*	**95.3**	87.0	**96.5**	91.4
Hydroelectric OM&A expense per MWh *($/MWh)*	**19.0**	24.0	**20.7**	24.0
Thermal EFOR *(%)*	**10.3**	3.7	**17.5**	3.3

Higher hydroelectric availability during the second quarter of 2015 and for the six months ended June 30, 2015, compared to the same periods in 2014, was primarily due to a decrease in planned outage days.

The improvement in hydroelectric OM&A expense per MWh for the three and six month periods ended June 30, 2015, compared to the same periods in 2014, was primarily due to the impact of higher generation volumes from the hydroelectric stations included in this segment.

The thermal EFOR increased for the three and six month periods ended June 30, 2015, compared to the same periods in 2014, primarily due to an outage to perform repair work at the Lennox GS. The extended duration of the outage reflected market conditions that made it more cost effective to carry out the repair work over a longer period.

Services, Trading, and Other Non-Generation Segment

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	**2015**	**2014**	**2015**	**2014**
Revenue	**19**	34	**43**	123
Fuel expense	**1**	-	**2**	2
Gross margin	**18**	34	**41**	121
Operations, maintenance and administration	**12**	33	**28**	70
Depreciation and amortization	**9**	5	**14**	10
Accretion on fixed asset removal liabilities	**1**	2	**3**	4
Property taxes	**4**	(4)	**8**	(1)
Restructuring	**1**	3	**1**	5
(Loss) income before interest and income taxes	**(9)**	(5)	**(13)**	33

Segment earnings decreased by $4 million during the second quarter of 2015, compared to the same quarter in 2014. The decrease in earnings was largely due to the expiry of the cost recovery agreement for the Nanticoke GS and the Lambton GS, and recoveries recognized during the second quarter of 2014 related to property tax reassessments. The decrease in earnings was largely offset by lower OM&A expenses for the Nanticoke GS and the Lambton GS.

Segment earnings decreased by $46 million for the six months ended June 30, 2015, compared to the same period in 2014. The decrease in earnings was primarily due to a decrease in trading margins for electricity sold to neighbouring energy markets and the expiry of the cost recovery agreement for the Nanticoke GS and the Lambton GS. The unseasonably cold winter in 2014 resulted in higher trading margins in the first quarter of 2014.

OPG has announced that it will no longer preserve the option to convert the Nanticoke GS to natural gas and/or biomass but will continue to preserve this option for the Lambton GS. The Nanticoke GS will be closed safely, securely and in an environmentally responsible manner.

Income Taxes

Income tax expense for the three months ended June 30, 2015 was $28 million compared to an income tax recovery of $8 million for the same quarter in 2014. The increase in income tax expense was primarily due to higher income before taxes in 2015, excluding earnings from the Nuclear Funds, and a change in reserves from the resolution of uncertainties.

LIQUIDITY AND CAPITAL RESOURCES

OPG's primary sources of liquidity and capital are funds generated from operations, bank financing, credit facilities provided by the Ontario Electricity Financial Corporation (OEFC), and capital market financing. These sources are used for multiple purposes including: to invest in plants and technologies; to fund obligations such as contributions to the pension fund and the Nuclear Funds; to make payments under the OPEB plans; and to service and repay long-term debt.

Changes in cash and cash equivalents for the three and six month periods ended June 30, 2015 are as follows:

	Three Months Ended June 30		**Six Months Ended June 30**	
(millions of dollars)	**2015**	**2014**	**2015**	**2014**
Cash and cash equivalents, beginning of period	**534**	755	**610**	562
Cash flow provided by operating activities	**450**	205	**905**	633
Cash flow used in investing activities	**(352)**	(350)	**(628)**	(735)
Cash flow (used in) provided by financing activities	**(57)**	15	**(312)**	165
Net increase (decrease)	**41**	(130)	**(35)**	63
Cash and cash equivalents, end of period	**575**	625	**575**	625

For a discussion regarding cash flow provided by operating activities and FFO Interest Coverage, refer to the *Highlights* section.

Investing Activities

Cash flow used in investing activities during the second quarter of 2015 was comparable with the same period in 2014.

Cash flow used in investing activities during the six months ended June 30, 2015 decreased by $107 million compared to the same period in 2014. The decrease was primarily due to lower capital expenditures for the Lower Mattagami River and Atikokan biomass conversion projects, which were placed in-service in 2014. The decrease was partially offset by higher expenditures on nuclear sustaining capital programs and the Peter Sutherland Sr. GS.

OPG's forecasted capital expenditures for 2015 are approximately $1.5 billion, which includes amounts for the Darlington Refurbishment project, hydroelectric development, and sustaining capital investments.

Financing Activities

Cash flow used in financing activities during the three months ended June 30, 2015 was $57 million, compared to cash flow provided of $15 million for the same period in 2014. Cash flow used in financing activities for the three months ended June 30, 2015 was primarily due to the repayment of short-term notes of $50 million.

Cash flow used in financing activities during the six months ended June 30, 2015 was $312 million, mainly due to the repayment of $302 million of long-term debt during the first half of 2015. In the comparative period of 2014, cash flow provided by financing activities of $165 million was largely due to the issuance of long-term debt of $200 million in the first half of 2014.

OPG maintains a $1 billion revolving committed bank credit facility, which is divided into two $500 million multi-year term tranches. In the second quarter of 2015, OPG renewed and extended both tranches to May 2020. As at June 30, 2015, there were no outstanding borrowings under the bank credit facility.

As at June 30, 2015, OPG also maintained $25 million of short-term, uncommitted overdraft facilities, and a further $390 million of short-term, uncommitted credit facilities, which support the issuance of the Letters of Credit. OPG uses Letters of Credit to support its supplementary pension plans and for other general corporate purposes. As at June 30, 2015, a total of $337 million of Letters of Credit had been issued. This included $310 million for the supplementary pension plans, $26 million for general corporate purposes, and $1 million related to the operation of the PEC.

The Company has an agreement to sell an undivided co-ownership interest in its current and future accounts receivable to an independent trust. In September 2014, the maximum amount of co-ownership interest that can be sold under this agreement was reduced to $150 million and the expiry date was extended from November 30, 2014 to November 30, 2016. As at June 30, 2015 and December 31, 2014, there were Letters of Credit outstanding under this agreement of $150 million, which were issued in support of OPG's supplementary pension plan.

The Lower Mattagami Energy Limited Partnership maintains a $600 million bank credit facility to support funding requirements, including the commercial paper program of the Lower Mattagami River project. The facility consists of two $300 million multi-year term tranches. The first and second tranche were to mature in August 2019 and August 2015, respectively. In the third quarter of 2015, OPG extended the maturity of the first tranche to August 2020. During the same period, the second tranche was reduced to $200 million and extended to August 2016. As at June 30, 2015, there was no external commercial paper outstanding under this program. In 2011, OPG executed a $700 million credit facility with the OEFC in support of the Lower Mattagami River project. As at June 30, 2015, there were no outstanding borrowings under this credit facility. This credit facility expires in June 2016.

In 2014, OPG entered into an $800 million general corporate credit facility agreement with the OEFC in support of its financing requirements for 2015 and 2016. As at June 30, 2015, there were no outstanding borrowings under this credit facility. This credit facility expires on December 31, 2016.

BALANCE SHEET HIGHLIGHTS

The following section provides highlights of OPG's unaudited interim consolidated financial position using selected balance sheet data:

(millions of dollars)	As At June 30 2015	 December 31 2014
Property, plant and equipment - net	**17,898**	17,593
The increase was primarily due to capital expenditures on the Darlington Refurbishment and other projects, and sustaining capital programs. The increase was partially offset by depreciation.		
Nuclear fixed asset removal and nuclear waste management funds *(current and non-current portions)*	**14,789**	14,379
The increase was primarily due to earnings on the Nuclear Funds and contributions to the Used Fuel Fund, partially offset by reimbursements of expenditures on nuclear fixed asset removal and nuclear waste management.		
Fixed asset removal and nuclear waste management liabilities	**17,434**	17,028
The increase was primarily a result of accretion expense, partially offset by expenditures on nuclear fixed asset removal and waste management activities.		
Long-term accounts payable and accrued charges	**569**	529
The increase was primarily due to an increase in the fair value of the derivative liability embedded in the Bruce Lease.		

Off-Balance Sheet Arrangements

In the normal course of operations, OPG engages in a variety of transactions that, under US GAAP, are either not recorded in the Company's interim consolidated financial statements or are recorded in the Company's interim consolidated financial statements using amounts that differ from the full contract amounts. Principal off-balance sheet activities that OPG undertakes include guarantees, which provide financial or performance assurance to third-parties on behalf of certain subsidiaries, and long-term fixed price contracts.

CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

OPG's significant accounting policies are outlined in Note 3 to the audited consolidated financial statements as at and for the year ended December 31, 2014. A discussion of changes in accounting policies is included in OPG's interim consolidated financial statements for the second quarter of 2015 under the heading, *Changes in Accounting Policies and Estimates*. Disclosure regarding OPG's critical accounting policies is included in OPG's 2014 annual MD&A.

RISK MANAGEMENT

The following discussion provides an update of OPG's risk management activities since the date of OPG's 2014 annual MD&A. As such, this risk management disclosure should be read in conjunction with the *Risk Management* section included in the annual MD&A.

Operational Risks

Risks Associated with Major Development Projects

The risks associated with the cost, schedule, and technical aspects of the major development projects could adversely impact OPG's financial performance and its corporate reputation.

Darlington Refurbishment

A large proportion of the costs of the Darlington Refurbishment project will be paid to contractors and suppliers, including vendors that will engineer, procure, and construct components of the project. There is a risk that, as the volume of work increases significantly, vendor performance shortfalls may impact project objectives and deliverables. Mitigating actions include collaborative front end planning, active risk management, increased field presence by supervisory staff, and assisting vendors in removing barriers to work.

Financial Risks

Commodity Markets

Changes in the market price of fuels used to produce electricity can adversely impact OPG's earnings and cash flow from operations.

To manage the risk of unpredictable increases in the price of fuels, the Company has fuel hedging programs, which include using fixed price and indexed contracts.

The percentages hedged of OPG's fuel requirements are shown in the following table. These amounts are based on yearly forecasts of generation and supply mix, and as such, are subject to change as these forecasts are updated.

	2015 [1]	**2016**	**2017**
Estimated fuel requirements hedged [2]	69%	75%	66%

1 Includes forecast for the remainder of the year.

2 Represents the approximate portion of megawatt-hours of expected generation production (and year-end inventory targets) from each type of facility (nuclear and thermal) for which OPG has entered into contractual arrangements or obligations in order to secure the price of fuel. Excess fuel inventories in a given year are attributed to the next year for the purpose of measuring hedge ratios.

Trading

OPG's financial performance can be affected by its trading activities.

OPG's trading operations are closely monitored, with total exposures measured and reported to senior management on a daily basis. One of the metrics used to measure the financial risk of this trading activity is Value at Risk (VaR). VaR is defined as a probabilistic maximum potential future loss expressed in monetary terms for a portfolio based on normal market conditions over a set period of time. For the second quarter of 2015, the VaR utilization ranged between $0.8 million and $1.0 million (second quarter of 2014 – between $0.5 million and $1.0 million).

Credit

Deterioration in counterparty credit and non-performance by suppliers and contractors can adversely impact OPG's earnings and cash flows from operations.

OPG manages its exposure to various suppliers or counterparties by evaluating their financial condition and negotiating appropriate collateral or other forms of security. OPG's credit exposure relating to energy markets transactions as at June 30, 2015 was $374 million, including $354 million to the IESO. Over 95 percent of the remaining $20 million exposure is related to investment grade counterparties.

Regulatory and Legislative Risks

OPG is subject to extensive federal and provincial legislation and regulations that have an impact on OPG's operations and financial position.

Rate Regulation

Significant uncertainties remain regarding the outcome of rate proceedings, which determine the regulated prices, including rate riders, for OPG's rate regulated operations.

In December 2014, OPG filed an application requesting approval for the disposition of approximately $1.8 billion in December 31, 2014 balances in most of the authorized variance and deferral accounts. The Partial Settlement Agreement reached between OPG and intervenors for this application was approved by the OEB in June 2015. The agreement provides for recovery of approximately $1.5 billion of the total sought by OPG, with remaining balances of approximately $260 million being disputed by intervenors. Positions of the parties with respect to the disputed balances were argued by way of written submissions made to the OEB in July 2015. A decision by the OEB is pending. There is a level of inherent uncertainty regarding the outcome of this proceeding with respect to the disputed balances. Refer to the *Recent Developments* section for more details on the Partial Settlement Agreement.

Nuclear Regulatory Requirements

An aging nuclear fleet or changes in technical codes, regulations or laws may increase the risk of additional nuclear regulatory requirements.

The Darlington generating units, based on original design assumptions, are currently forecast to reach their end-of-life between 2019 and 2020. In July 2014, the CNSC approved the renewal of the Darlington GS operating licence until December 31, 2015. OPG is currently seeking a longer term licence renewal that covers the life extension activities, including refurbishment, on the four Darlington generating units. CNSC hearings are scheduled in August and November of 2015 in support of a relicensing decision by the end of 2015.

Enterprise-Wide Risks

People and Culture

OPG's financial position could be affected if skilled human resources are not available or aligned with its operations.

As of December 31, 2014, approximately 90 percent of OPG's regular labour force was represented by a union. In addition to the regular workforce, construction work is performed through 19 craft unions with established bargaining rights on OPG facilities. A majority of the collective agreements with the craft unions expired on April 30, 2015 and the negotiations to renew these agreements are underway. In the event of a labour disruption by any of the craft unions, OPG could face financial and reputational impacts. OPG has contingency plans in place which are designed to minimize these impacts.

As at June 30, 2015, The Society of Energy Professionals (The Society) represents approximately 2,900 OPG employees or approximately 30 percent of OPG's regular workforce. The Company's current collective agreement with The Society was established through an arbitration award issued in 2013 and will expire on December 31, 2015.

The early negotiations for a renewal agreement with The Society commenced in April of 2015 and are continuing. If these negotiations are unsuccessful, the parties will reconvene in the fall of 2015 as originally scheduled. The parties do not have the right to strike or lock-out. If the parties are unable to reach an agreement, the terms of the agreement will be decided through interest mediation/arbitration.

During the second quarter of 2015, the PWU and OPG agreed to the terms of a renewed collective agreement. Refer to the *Recent Developments* section for more details on the renewal agreement.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

During the most recent interim period, there have been no changes in the Company's policies, procedures and other processes comprising its internal controls over financial reporting (ICOFR) that have materially affected, or are reasonably likely to materially affect, the Company's ICOFR.

QUARTERLY FINANCIAL HIGHLIGHTS

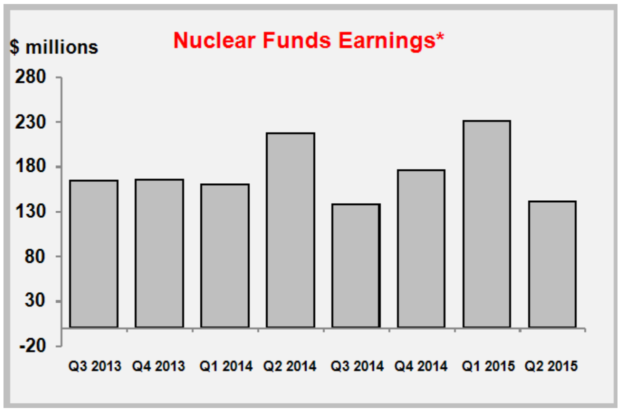
The following tables set out selected financial information from OPG's unaudited interim consolidated financial statements for each of the eight most recently completed quarters.

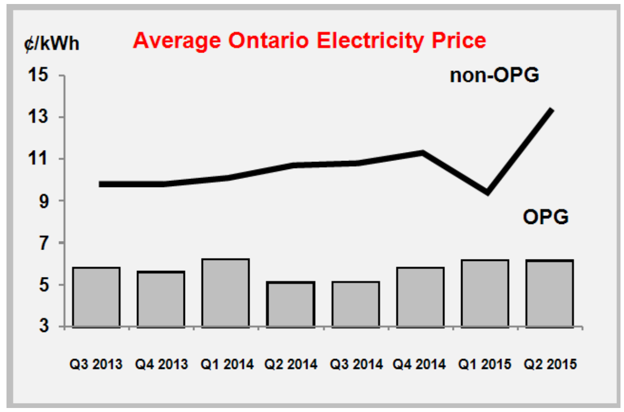
(millions of dollars - except where noted) (unaudited)	**June 30 2015**	**March 31 2015**	**December 31 2014**	**September 30 2014**
Revenue	**1,383**	1,355	1,318	1,160
Income before extraordinary item attributable to the Shareholder	**189**	234	86	118
Income before extraordinary item attributable to non-controlling interest	**4**	5	4	1
Income before extraordinary item	**193**	239	90	119
Net income attributable to the Shareholder	**189**	234	86	361
Net income attributable to non-controlling interest	**4**	5	4	1
Net income	**193**	239	90	362
Per share, attributable to the Shareholder *(dollars)*				
Income before extraordinary item	**$0.74**	$0.91	$0.34	$0.46
Net income	**$0.74**	$0.91	$0.34	$1.41

(millions of dollars - except where noted) (unaudited)	**June 30 2014**	**March 31 2014**	**December 31 2013**	**September 30 2013**
Revenue	1,098	1,387	1,174	1,244
Net income attributable to the Shareholder	115	242	4	30
Net income attributable to the Shareholder per common share (dollars)	$0.45	$0.94	$0.02	$0.12

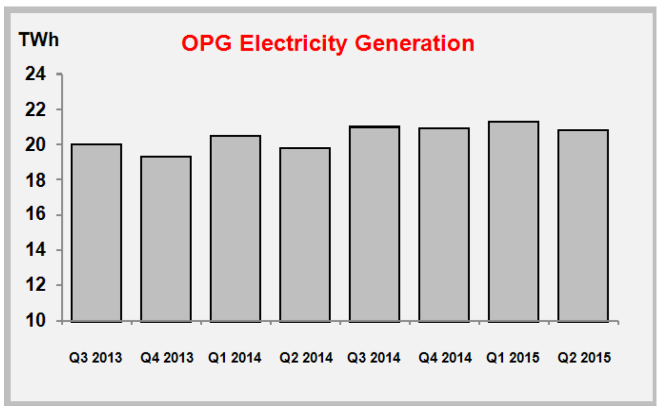
Trends

OPG's quarterly results are affected by changes in demand primarily resulting from variations in seasonal weather conditions. Historically, OPG's revenues are higher in the first quarter of a fiscal year, as a result of winter heating demands, and in the third quarter due to air conditioning and cooling demands. In addition to average revenue and generation volume, OPG's income is affected by earnings from the Nuclear Funds.





*net of regulatory variance account



Items which affected net income during the first quarter of 2015 are described below:

- Higher earnings on nuclear fixed asset removal and nuclear waste management funds of $71 million as a result of favourable market performance, compared to the same quarter in 2014.

Additional items which affected net income prior to 2015 are described in OPG's 2014 annual MD&A.

SUPPLEMENTARY NON-GAAP FINANCIAL MEASURES

In addition to providing net income in accordance with US GAAP, certain non-GAAP financial measures are also presented in OPG's MD&A and unaudited interim consolidated financial statements. These non-GAAP measures do not have any standardized meaning prescribed by US GAAP and, therefore, may not be comparable to similar measures presented by other issuers. OPG utilizes these measures to make operating decisions and assess performance. Readers of the MD&A, unaudited interim consolidated financial statements and the notes thereto may utilize these measures in assessing the Company's financial performance from ongoing operations. The Company believes that these indicators are important since they provide additional information about OPG's performance, facilitate comparison of results over different periods, and present a measure consistent with the corporate strategy to operate on a financially sustainable basis. These non-GAAP financial measures have not been presented as an alternative to net income, cash flows from operating activities or other measures in accordance with US GAAP, but as an indicator of operating performance.

The definitions of the non-GAAP financial measures are as follows:

(1) **ROE** is defined as net income attributable to the Shareholder divided by average equity attributable to the Shareholder excluding AOCI, for the period. ROE is measured over a 12-month period.

(2) **FFO Interest Coverage** is defined as FFO before interest divided by Adjusted Interest Expense. FFO before interest is defined as cash flow provided by operating activities adjusted for interest paid, interest capitalized to fixed and intangible assets, and changes to non-cash working capital balances for the period. Adjusted Interest Expense includes net interest expense plus interest income, interest capitalized to fixed and intangible assets, interest related to regulatory assets and liabilities, and interest on pension and OPEB projected benefit obligations less expected return on pension plan assets for the period.

FFO Interest Coverage is measured over a period of twelve months and is calculated as follows:

	For the twelve months ended	
(millions of dollars – except where noted)	**June 30 2015**	**December 31 2014**
FFO before interest		
Cash flow provided by operating activities	**1,705**	1,433
Add: Interest paid	**274**	273
Less: Interest capitalized to fixed and intangible assets	**(111)**	(135)
Add: Decrease to non-cash working capital balances	**(277)**	(212)
FFO before interest	**1,591**	1,359
Adjusted interest expense		
Net interest expense	**151**	80
Add: Interest income	**10**	10
Add: Interest capitalized to fixed and intangible assets	**111**	135
Add: Interest related to regulatory assets and liabilities	**27**	75
Add: Interest on pension and OPEB projected benefit obligation less expected return on pension plan assets	**116**	179
Adjusted Interest Expense	**415**	479
FFO Interest Coverage *(times)*	**3.8**	2.8

(3) **Gross margin** is defined as revenue less fuel expense.

Additional information about OPG, including its annual MD&A, and audited annual consolidated financial statements as at and for the year ended December 31, 2014 and notes thereto can be found on SEDAR at www.sedar.com.

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ONTARIO POWER GENERATION INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

JUNE 30, 2015

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(millions of dollars except where noted)	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
Revenue *(Note 12)*	**1,383**	1,098	**2,738**	2,485
Fuel expense *(Note 12)*	**180**	154	**337**	303
Gross margin *(Note 12)*	**1,203**	944	**2,401**	2,182
Expenses *(Note 12)*				
Operations, maintenance and administration	**650**	666	**1,315**	1,336
Depreciation and amortization	**200**	181	**396**	362
Accretion on fixed asset removal and nuclear waste management liabilities	**224**	195	**448**	391
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(141)**	(217)	**(372)**	(377)
Property taxes	**12**	(1)	**25**	10
Income from investments subject to significant influence	**(11)**	(10)	**(22)**	(23)
Restructuring	**1**	10	**1**	12
	935	824	**1,791**	1,711
Income before other loss, interest and income taxes	**268**	120	**610**	471
Other loss	**-**	1	**-**	2
Income before interest and income taxes	**268**	119	**610**	469
Net interest expense *(Note 5)*	**47**	11	**94**	23
Income before income taxes	**221**	108	**516**	446
Income tax expense (recovery)	**28**	(8)	**84**	87
Net income	**193**	116	**432**	359
Net income attributable to the Shareholder	**189**	115	**423**	357
Net income attributable to non-controlling interests	**4**	1	**9**	2
Basic and diluted net income per common share *(dollars)*	**0.74**	0.45	**1.65**	1.39
Common shares outstanding *(millions)*	**256.3**	256.3	**256.3**	256.3

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(millions of dollars)	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
Net income	**193**	116	**432**	359
Other comprehensive income, net of income taxes *(Note 7)*				
Net (loss) gain on derivatives designated as cash flow hedges [1]	**-**	(2)	**1**	(3)
Reclassification to income of losses from cash flow hedges [2]	**4**	2	**7**	5
Reclassification to income of amounts related to pension and other post-employment benefits [3]	**4**	10	**9**	19
Other comprehensive income for the period	**8**	10	**17**	21
Comprehensive income	**201**	126	**449**	380
Comprehensive income attributable to the Shareholder	**197**	125	**440**	378
Comprehensive income attributable to non-controlling interests	**4**	1	**9**	2

[1] Net of income tax expense of nil and income tax recovery of $1 million for the three months ended June 30, 2015 and 2014, respectively. Net of income tax expense of nil and income tax recovery of $2 million for the six months ended June 30, 2015 and 2014, respectively.

[2] Net of income tax expense of nil and $1 million for the three months ended June 30, 2015 and 2014, respectively. Net of income tax expense of $1 million for the six months ended June 30, 2015 and 2014.

[3] Net of income tax expense of $2 million for the three months ended June 30, 2015 and 2014. Net of income tax expense of $3 million and $6 million for the six months ended June 30, 2015 and 2014, respectively.

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Six Months Ended June 30 *(millions of dollars)*	**2015**	**2014**
Operating activities		
Net income	**432**	359
Adjust for non-cash items:		
Depreciation and amortization	**396**	362
Accretion on fixed asset removal and nuclear waste management liabilities	**448**	391
Earnings on nuclear fixed asset removal and nuclear waste management funds	**(372)**	(377)
Pension and other post-employment benefit costs *(Note 8)*	**242**	228
Deferred income taxes and other accrued charges	**23**	43
Mark-to-market on derivative instruments	**50**	(170)
Provision for used nuclear fuel and low and intermediate level waste	**58**	54
Regulatory assets and liabilities	**(55)**	72
Provision for materials and supplies	**14**	11
Provision for restructuring	**(2)**	9
Other	**(21)**	(12)
	1,213	970
Contributions to nuclear fixed asset removal and nuclear waste management funds	**(71)**	(69)
Expenditures on fixed asset removal and nuclear waste management	**(106)**	(97)
Reimbursement of expenditures on nuclear fixed asset removal and nuclear waste management	**44**	43
Contributions to pension funds and expenditures on other post-employment benefits and supplementary pension plans	**(243)**	(206)
Expenditures on restructuring	**(8)**	(16)
Net changes to other long-term assets and liabilities	**24**	21
Net changes in non-cash working capital balances *(Note 13)*	**52**	(13)
Cash flow provided by operating activities	**905**	633
Investing activities		
Investment in property, plant and equipment and intangible assets	**(628)**	(735)
Cash flow used in investing activities	**(628)**	(735)
Financing activities		
Issuance of long-term debt	**-**	200
Repayment of long-term debt	**(302)**	(2)
Distribution paid to non-controlling interests	**(10)**	(1)
Issuance of short-term notes	**1,335**	912
Repayment of short-term notes	**(1,335)**	(944)
Cash flow (used in) provided by financing activities	**(312)**	165
Net (decrease) increase in cash and cash equivalents	**(35)**	63
Cash and cash equivalents, beginning of period	**610**	562
Cash and cash equivalents, end of period	**575**	625

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at *(millions of dollars)*	**June 30** **2015**	**December 31** **2014**
Assets		
Current assets		
Cash and cash equivalents	**575**	610
Receivables from related parties	**401**	482
Other accounts receivable and prepaid expenses	**125**	136
Nuclear fixed asset removal and nuclear waste management funds	**13**	25
Fuel inventory	**325**	334
Materials and supplies	**93**	94
Regulatory assets *(Note 3)*	**232**	167
Deferred income taxes	**-**	8
	1,764	1,856
Property, plant and equipment	**26,465**	25,859
Less: accumulated depreciation	**8,567**	8,266
	17,898	17,593
Intangible assets	**451**	432
Less: accumulated amortization	**367**	356
	84	76
Other assets		
Nuclear fixed asset removal and nuclear waste management funds	**14,776**	14,354
Long-term materials and supplies	**340**	338
Regulatory assets *(Note 3)*	**6,913**	7,024
Investments subject to significant influence *(Note 14)*	**339**	348
Other long-term assets	**69**	64
	22,437	22,128
	42,183	41,653

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As at *(millions of dollars)*	**June 30 2015**	**December 31 2014**
Liabilities		
Current liabilities		
Accounts payable and accrued charges	**1,026**	1,151
Deferred revenue due within one year	**12**	12
Long-term debt due within one year *(Note 4)*	**203**	503
Regulatory liabilities *(Note 3)*	**2**	5
Deferred income taxes	**6**	-
Income taxes payable	**95**	24
	1,344	1,695
Long-term debt *(Note 4)*	**5,225**	5,227
Other liabilities		
Fixed asset removal and nuclear waste management liabilities *(Note 6)*	**17,434**	17,028
Pension liabilities	**3,502**	3,570
Other post-retirement benefit liabilities	**3,101**	3,050
Long-term accounts payable and accrued charges	**569**	529
Deferred revenue	**229**	212
Deferred income taxes	**806**	836
Regulatory liabilities *(Note 3)*	**67**	39
	25,708	25,264
Equity		
Common shares [1]	**5,126**	5,126
Retained earnings	**5,119**	4,696
Accumulated other comprehensive loss *(Note 7)*	**(479)**	(496)
Equity attributable to the Shareholder	**9,766**	9,326
Equity attributable to non-controlling interests	**140**	141
Total equity	**9,906**	9,467
	42,183	41,653

[1] 256,300,010 common shares outstanding at a stated value of $5,126 million as at June 30, 2015 and December 31, 2014.

Commitments and Contingencies *(Notes 4, 10 and 11)*

See accompanying notes to the interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Six Months Ended June 30 *(millions of dollars)*	**2015**	**2014**
Common shares	**5,126**	5,126
Retained earnings		
Balance at beginning of period	**4,696**	3,892
Net income attributable to the Shareholder	**423**	357
Balance at end of period	**5,119**	4,249
Accumulated other comprehensive loss, net of income taxes		
Balance at beginning of period	**(496)**	(684)
Other comprehensive income	**17**	21
Balance at end of period	**(479)**	(663)
Equity attributable to the Shareholder	**9,766**	8,712
Equity attributable to non-controlling interests		
Balance at beginning of period	**141**	-
Capital contribution from non-controlling interests	**-**	53
Distribution to non-controlling interests	**(10)**	(2)
Net income attributable to non-controlling interests	**9**	2
Balance at end of period	**140**	53
Total equity	**9,906**	8,765

See accompanying notes to the interim consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2015 and 2014

1. BASIS OF PRESENTATION

These interim consolidated financial statements for the three and six months ended June 30, 2015 and 2014 include the accounts of Ontario Power Generation Inc. (OPG or Company) and its subsidiaries. The Company consolidates its interest in entities over which it is able to exercise control and attributes the results to its sole shareholder, the Province of Ontario (Province). Interests owned by other parties are reflected as non-controlling interests. These interim consolidated financial statements have been prepared and presented in accordance with United States generally accepted accounting principles (US GAAP) and the rules and regulations of the United States Securities and Exchange Commission for interim financial statements. These interim consolidated financial statements do not contain all of the disclosures required by US GAAP for annual financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 31, 2014. All dollar amounts are presented in Canadian dollars.

Certain of the 2014 comparative amounts have been reclassified from financial statements previously presented to conform to the 2015 interim consolidated financial statement presentation.

Use of Management Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the interim consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Management evaluates the Company's estimates on an ongoing basis based on historical experience, current conditions and assumptions believed to be reasonable at the time the assumption is made, with any adjustments recognized in income in the period incurred. Significant estimates are included in the determination of pension and other post-employment benefits (OPEB) liabilities, asset retirement obligations, income taxes (including deferred income taxes), contingencies, regulatory assets and liabilities, valuation of derivative instruments, depreciation and amortization, and inventories. Actual results may differ significantly from these estimates.

Seasonal Operations

OPG's quarterly results are affected by changes in demand primarily resulting from variations in seasonal weather conditions. Historically, OPG's revenues are higher in the first quarter of a fiscal year as a result of winter heating demands, and in the third quarter due to air conditioning and cooling demands. Regulated prices for most of OPG's hydroelectric facilities and all of the nuclear facilities that OPG operates, and energy supply agreements for OPG's unregulated facilities reduce the impact of seasonal price fluctuations on the results of operations.

2. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance, including industry-specific guidance, under US GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. In July 2015, the FASB approved the deferral of the new revenue standard by one year for public entities reporting under US GAAP from 2017 to 2018. As such, the standard is expected to be applicable to OPG for its 2018 fiscal year, including interim periods. OPG is currently assessing the impact of this new standard on its consolidated financial statements.

3. REGULATORY ASSETS AND LIABILITIES

In December 2014, OPG filed an application with the Ontario Energy Board (OEB) requesting approval to recover approximately $1.8 billion in December 31, 2014 balances in most of the authorized regulatory variance and deferral accounts. In June 2015, the OEB approved a partial settlement agreement between OPG and intervenors on OPG's application (Partial Settlement Agreement). This approval covers approximately $1.5 billion of the total amount sought by OPG. The approval includes recovery of $714 million in the Pension and OPEB Cost Variance Account, recorded during 2013 and 2014, over six years starting on July 1, 2015. The approval also includes $225 million recorded in the Pension and OPEB Cost Variance Account prior to 2013 that will continue to be recovered until December 31, 2024 as previously authorized by the OEB. The remaining approved balances include the $154 million portion of the balance in the Bruce Lease Net Revenues Variance Account related to the impact of the derivative liability embedded in the Bruce Power lease agreement (Bruce Lease), which will continue to be recovered on the basis of OPG's expected payments to Bruce Power L.P. and associated income tax impacts, and other account balances, the majority of which has been approved for recovery over 18 months.

For the period from January 1, 2015 to December 31, 2016, as part of the Partial Settlement Agreement, OPG has also ceased recording interest on the derivative portion of the Bruce Lease Net Revenues Variance Account balance. As such, in the second quarter of 2015, OPG wrote-off $2 million of interest recorded in that account since the beginning of 2015.

The remaining December 31, 2014 deferral and variance account balances of $263 million requested in OPG's application are disputed by intervenors and are not covered by the Partial Settlement Agreement. These balances pertain to amounts recorded by OPG in certain accounts during January 1, 2014 to October 31, 2014. The recovery of these balances will be decided by the OEB following a written hearing, which concluded in July 2015. The OEB's decision on these balances and its order establishing rate riders for recovery of all approved balances are expected later in 2015.

The regulatory assets and liabilities recorded as at June 30, 2015 and December 31, 2014 are as follows:

(millions of dollars)	**June 30 2015**	**December 31 2014**
Regulatory assets		
Variance and deferral accounts as authorized by the OEB		
Pension and OPEB Cost Variance Account *(Note 8)*	**939**	939
Bruce Lease Net Revenues Variance Account	**346**	315
Nuclear Liability Deferral Account	**286**	286
Pension & OPEB Cash Versus Accrual Differential Deferral Account *(Note 8)*	**169**	36
Capacity Refurbishment Variance Account	**126**	190
Hydroelectric Surplus Baseload Generation Variance Account	**95**	67
Other variance and deferral accounts	**122**	134
	2,083	1,967
Pension and OPEB Regulatory Asset *(Note 8)*	**4,213**	4,363
Deferred Income Taxes	**849**	861
Total regulatory assets	**7,145**	7,191
Less: current portion	**232**	167
Non-current regulatory assets	**6,913**	7,024
Regulatory liabilities		
Variance and deferral accounts as authorized by the OEB		
Other variance and deferral accounts	**69**	44
Total regulatory liabilities	**69**	44
Less: current portion	**2**	5
Non-current regulatory liabilities	**67**	39

As at June 30, 2015 and December 31, 2014, regulatory assets for other variance and deferral accounts included the Nuclear Deferral and Variance Over/Under Recovery Variance Account, the Nuclear Development Variance Account, the Pension & OPEB Cash Payment Variance Account, and other variance accounts authorized by the OEB. As at June 30, 2015 and December 31, 2014, regulatory liabilities for other variance and deferral accounts included the Ancillary Services Net Revenue Variance Account, the Hydroelectric Water Conditions Variance Account, the Income and Other Taxes Variance Account and other variance accounts authorized by the OEB.

4. LONG-TERM DEBT

Long-term debt consists of the following:

(millions of dollars)	**June 30 2015**	**December 31 2014**
Notes payable to the Ontario Electricity Financial Corporation	**3,665**	3,965
UMH Energy Partnership debt	**188**	190
Lower Mattagami Energy Limited Partnership debt	**1,575**	1,575
	5,428	5,730
Less: due within one year	**203**	503
Long-term debt	**5,225**	5,227

5. SHORT-TERM DEBT AND NET INTEREST EXPENSE

OPG maintains a $1 billion revolving committed bank credit facility, which is divided into two $500 million multi-year term tranches. In the second quarter of 2015, OPG renewed and extended both tranches to May 2020. As at June 30, 2015, there were no outstanding borrowings under the bank credit facility.

Lower Mattagami Energy Limited Partnership maintains a $600 million bank credit facility to support the funding requirements of the Lower Mattagami River project, including the commercial paper program. The facility consists of two $300 million multi-year term tranches. The first tranche was to mature in August 2019 while the second tranche was to mature in August 2015. In the third quarter of 2015, OPG extended the maturity of the first tranche to August 2020 and extended the maturity of the second tranche, which was reduced to $200 million, to August 2016. As at June 30, 2015 and December 31, 2014, there was no external commercial paper outstanding under this program.

The following table summarizes net interest expense:

	Three Months Ended June 30		**Six Months Ended June 30**	
(millions of dollars)	**2015**	**2014**	**2015**	**2014**
Interest on long-term debt	**70**	72	**142**	144
Interest on short-term debt	**1**	-	**2**	1
Interest income	**(2)**	(2)	**(5)**	(5)
Interest capitalized to property, plant and equipment and intangible assets	**(24)**	(36)	**(47)**	(71)
Interest related to regulatory assets and liabilities [1]	**2**	(23)	**2**	(46)
Net interest expense	**47**	11	**94**	23

[1] Includes interest to recognize the cost of financing related to regulatory assets and liabilities, as authorized by the OEB, and interest deferred in the regulatory assets for the Capacity Refurbishment Variance Account and the Bruce Lease Net Revenues Variance Account.

6. FIXED ASSET REMOVAL AND NUCLEAR WASTE MANAGEMENT LIABILITIES

The liabilities for fixed asset removal and nuclear waste management on a present value basis as at June 30, 2015 and December 31, 2014 consist of the following:

(millions of dollars)	**June 30 2015**	**December 31 2014**
Liability for nuclear used fuel management	**10,728**	10,459
Liability for nuclear decommissioning and low and intermediate level waste management	**6,335**	6,204
Liability for non-nuclear fixed asset removal	**371**	365
Fixed asset removal and nuclear waste management liabilities	**17,434**	17,028

7. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in the balance of each component of accumulated other comprehensive loss (AOCL), net of income taxes, are as follows:

	Six Months Ended June 30, 2015		
(millions of dollars)	**Unrealized Gains and Losses on Cash Flow Hedges [1]**	**Pension and OPEB [1]**	**Total [1]**
AOCL, beginning of period	**(117)**	**(379)**	**(496)**
Net gain on cash flow hedges	**1**	**-**	**1**
Amounts reclassified from AOCL	**7**	**9**	**16**
Other comprehensive income for the period	**8**	**9**	**17**
AOCL, end of period	**(109)**	**(370)**	**(479)**

[1] All amounts are net of income taxes.

	Six Months Ended June 30, 2014		
(millions of dollars)	**Unrealized Gains and Losses on Cash Flow Hedges [1]**	**Pension and OPEB [1]**	**Total [1]**
AOCL, beginning of period	(129)	(555)	(684)
Net loss on cash flow hedges	(3)	-	(3)
Amounts reclassified from AOCL	5	19	24
Other comprehensive income for the period	2	19	21
AOCL, end of period	(127)	(536)	(663)

[1] All amounts are net of income taxes.

The significant amounts reclassified out of each component of AOCL, net of income taxes, during the three and six months ended June 30, 2015 are as follows:

	Amount Reclassified from AOCL		
(millions of dollars)	**Three Months Ended June 30, 2015**	**Six Months Ended June 30, 2015**	**Statement of Income Line Item**
Amortization of losses from cash flow hedges			
Losses	**4**	**7**	Net interest expense
Amortization of amounts related to pension and OPEB			
Actuarial loss	**4**	**9**	See (1) below
Total reclassifications for the period	**8**	**16**	

[1] These AOCL components are included in the computation of pension and OPEB costs (see Note 8 for additional details).

The significant amounts reclassified out of each component of AOCL, net of income taxes, during the three and six months ended June 30, 2014 are as follows:

(millions of dollars)	Amount Reclassified from AOCL Three Months Ended June 30, 2014	 Six Months Ended 	Statement of Income Line Item
Amortization of losses from cash flow hedges			
Losses	2	5	Net interest expense
Amortization of amounts related to pension and OPEB			
Actuarial loss	10	19	See (1) below
Total reclassifications for the period	12	24	

[1] These AOCL components are included in the computation of pension and OPEB costs (see Note 8 for additional details).

8. PENSION AND OPEB

OPG's total post-employment benefit costs for the three months ended June 30, 2015 and 2014 are as follows:

(millions of dollars)	Registered Pension Plans 2015	2014	Supplementary Pension Plans 2015	2014	OPEB 2015	2014
Components of Cost Recognized						
Current service costs	**80**	60	**2**	2	**18**	16
Interest on projected benefit obligation	**158**	164	**3**	3	**32**	33
Expected return on plan assets, net of expenses	**(180)**	(157)	**-**	-	**-**	-
Amortization of net actuarial loss [1]	**73**	65	**2**	1	**6**	1
Cost recognized [2]	**131**	132	**7**	6	**56**	50

[1] The amortization of net actuarial loss is recognized as an increase to other comprehensive income. This increase for the three months ended June 30, 2015 was partially offset by a decrease in the Pension and OPEB Regulatory Asset of $75 million (three months ended June 30, 2014 – $55 million).

[2] These pension and OPEB costs for the three months ended June 30, 2015 exclude the reduction of costs resulting from the recognition of additions to the regulatory assets for the Pension and OPEB Cost Variance Account, Pension & OPEB Cash Versus Accrual Differential Deferral Account and Pension & OPEB Cash Payment Variance Account of nil, $66 million and $6 million, respectively (three months ended June 30, 2014 – $76 million, nil and nil, respectively).

OPG's total post-employment benefit costs for the six months ended June 30, 2015 and 2014 are as follows:

	Registered Pension Plans		**Supplementary Pension Plans**		**OPEB**	
(millions of dollars)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Components of Cost Recognized						
Current service costs	**160**	119	**4**	4	**36**	32
Interest on projected benefit obligation	**315**	329	**6**	7	**64**	67
Expected return on plan assets, net of expenses	**(359)**	(314)	**-**	-	**-**	-
Amortization of net actuarial loss [1]	**146**	130	**3**	2	**13**	3
Cost recognized [2]	**262**	264	**13**	13	**113**	102

[1] The amortization of net actuarial loss is recognized as an increase to other comprehensive income. This increase for the six months ended June 30, 2015 was partially offset by a decrease in the Pension and OPEB Regulatory Asset of $150 million (six months ended June 30, 2014 – $110 million).

[2] These pension and OPEB costs for the six months ended June 30, 2015 exclude the reduction of costs resulting from the recognition of additions to the regulatory assets for the Pension and OPEB Cost Variance Account, Pension & OPEB Cash Versus Accrual Differential Deferral Account and Pension & OPEB Cash Payment Variance Account of nil, $133 million and $13 million, respectively (six months ended June 30, 2014 – $151 million, nil and nil, respectively).

An actuarial valuation of the OPG registered pension plan was completed as of January 1, 2014 and was filed with the Financial Services Commission of Ontario in June 2014.

9. RISK MANAGEMENT AND DERIVATIVES

OPG is exposed to risks related to changes in market interest rates on debt expected to be issued in the future, and movements in foreign currency that affect its assets, liabilities, and forecasted transactions. Select derivative instruments are used to manage such risks. Derivatives are used as hedging instruments, as well as for trading purposes.

Interest rate risk is the risk that the value of assets and liabilities can change due to movements in related interest rates. Interest rate risk for OPG arises with the need to refinance existing debt and/or undertake new financing. The management of these risks is undertaken by using derivatives to hedge the exposure in accordance with corporate risk management policies. OPG periodically uses interest rate swap agreements to mitigate elements of interest rate risk exposure associated with anticipated financing.

The conditional reduction to revenue in the future, embedded in the terms of the Bruce Lease, is treated as a derivative. Assumptions related to future electricity prices impact the valuation of the derivative liability embedded in the Bruce Lease.

OPG's foreign exchange exposure is primarily attributable to United States (US) dollar denominated transactions such as the purchase of fuels. OPG enters into foreign exchange derivatives and agreements with major financial institutions, when necessary, in order to manage the Company's exposure to foreign currency movements.

The majority of OPG's revenues are derived from sales through the Independent Electricity System Operator (IESO) administered spot market. Although the credit exposure to the IESO represents a significant portion of OPG's accounts receivable, the Company's management accepts this risk due to the IESO's primary role in the Ontario electricity market. The remaining receivables exposure is to a diverse group of generally high quality counterparties. OPG's allowance for doubtful accounts as at June 30, 2015 was less than $1 million.

The following is a summary of OPG's derivative instruments:

(millions of dollars except where noted)	**Notional Quantity**	**Terms**	**Fair Value**	**Balance Sheet Line Item**
As at June 30, 2015				
Derivative embedded in the Bruce Lease	**n/a**	**5 years**	**(348)**	Long-term accounts payable and accrued charges
Other derivative instruments	**various**	**various**	**8**	Various
Total derivatives			**(340)**	

(millions of dollars except where noted)	**Notional Quantity**	**Terms**	**Fair Value**	**Balance Sheet Line Item**
As at December 31, 2014				
Derivative embedded in the Bruce Lease	n/a	5 years	(302)	Long-term accounts payable and accrued charges
Other derivative instruments	various	various	11	Various
Total derivatives			(291)	

Existing net losses of $20 million deferred in AOCL as at June 30, 2015 are expected to be reclassified to net income within the next 12 months.

10. FAIR VALUE MEASUREMENTS

The fair value of financial instruments traded in active markets is based on quoted market prices at the interim consolidated balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by OPG is the current bid price. These instruments are included in Level 1 and are comprised primarily of equity investments and fund investments.

For financial instruments that do not have quoted market prices directly available, fair values are estimated using forward price curves developed from observable market prices or rates. The estimate of fair value may include the use of valuation techniques or models, based wherever possible on assumptions supported by observable market prices or rates prevailing at the dates of the interim consolidated balance sheets. This is the case for over-the-counter derivatives and securities, which include energy commodity derivatives, foreign exchange derivatives, interest rate swap derivatives, and fund investments. Pooled fund investments are valued at the unit values supplied by the pooled fund administrators. The unit values represent the underlying net assets at fair values, determined using closing market prices. Valuation models use general assumptions and market data and therefore do not reflect the specific risks and other factors that would affect a particular instrument's fair value. The methodologies used for calculating the fair value adjustments are reviewed on an ongoing basis to ensure that they remain appropriate. If all significant inputs required to measure an instrument at fair value are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques were used to value these instruments. Significant Level 3 inputs include recent comparable transactions, comparable benchmark information, bid/ask spread of similar transactions, and other relevant factors.

The Company is required to determine the fair value of all its financial instruments. The following is a summary of OPG's financial instruments as at June 30, 2015 and December 31, 2014.

	Fair Value		Carrying Value [1]		
(millions of dollars)	**2015**	**2014**	**2015**	**2014**	**Balance Sheet Line Item**
Nuclear Funds – Decommisioning Fund and Used Fuel Fund (includes current portion) [2]	**14,789**	14,379	**14,789**	14,379	Nuclear fixed asset removal and nuclear waste management funds
Payable related to cash flow hedges	**(59)**	(63)	**(59)**	(63)	Long-term accounts payable and accrued charges
Derivative embedded in the Bruce Lease	**(348)**	(302)	**(348)**	(302)	Long-term accounts payable and accrued charges
Long-term debt (includes current portion)	**(6,012)**	(6,326)	**(5,428)**	(5,730)	Long-term debt
Other financial instruments	**15**	19	**15**	19	Various

1 The carrying values of other financial instruments included in cash and cash equivalents, receivables from related parties, other accounts receivable, and accounts payable and accrued charges approximate their fair value due to the immediate or short-term maturity of these financial instruments.

2 The fund values are net of amounts due to the Province of $1,319 million (December 31, 2014 − $1,100 million) for the Decommissioning Fund and $1,770 million (December 31, 2014 − $1,429 million) for the Used Fuel Fund.

The fair value of long-term debt instruments is determined based on a conventional pricing model, which is a function of future cash flows, the current market yield curve and term to maturity. These inputs are considered Level 2 inputs.

The following tables present financial assets and liabilities measured at fair value in accordance with the fair value hierarchy as at June 30, 2015 and December 31, 2014:

	June 30, 2015			
(millions of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Decommissioning Fund	**3,164**	**2,791**	**478**	**6,433**
Used Fuel Fund	**667**	**7,597**	**92**	**8,356**
Other financial instruments	**6**	**1**	**19**	**26**
Total	**3,837**	**10,389**	**589**	**14,815**
Liabilities				
Derivative embedded in the Bruce Lease	**-**	**-**	**(348)**	**(348)**
Other financial instruments	**(6)**	**(5)**	**-**	**(11)**
Total	**(6)**	**(5)**	**(348)**	**(359)**
Net assets	**3,831**	**10,384**	**241**	**14,456**

	December 31, 2014			
(millions of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Decommissioning Fund	3,069	2,787	390	6,246
Used Fuel Fund	617	7,444	72	8,133
Other financial instruments	4	5	16	25
Total	3,690	10,236	478	14,404
Liabilities				
Derivative embedded in the Bruce Lease	-	-	(302)	(302)
Other financial instruments	(3)	(3)	-	(6)
Total	(3)	(3)	(302)	(308)
Net assets	3,687	10,233	176	14,096

During the six months ended June 30, 2015, there were no transfers between Level 1, Level 2 and Level 3.

The following tables present the changes in OPG's assets and liabilities measured at fair value based on Level 3:

	For the three months ended June 30, 2015			
(millions of dollars)	**Decom-missioning Fund**	**Used Fuel Fund**	**Derivative Embedded in the Bruce Lease [1]**	**Other financial instruments**
Opening balance, April 1, 2015	**426**	**82**	**(341)**	**14**
Unrealized gains included in earnings on nuclear fixed asset removal and nuclear waste management funds [1]	**3**	**-**	**-**	**-**
Unrealized (losses) gains included in revenue	**-**	**-**	**(7)**	**2**
Realized gains (losses) included in revenue	**1**	**-**	**-**	**(3)**
Purchases	**47**	**9**	**-**	**6**
Sales	**(3)**	**(1)**	**-**	**-**
Settlements	**4**	**2**	**-**	**-**
Closing balance, June 30, 2015	**478**	**92**	**(348)**	**19**

[1] Excludes the impact of regulatory assets and liabilities.

(millions of dollars)	For the six months ended June 30, 2015 Decom-missioning Fund	Used Fuel Fund	Derivative Embedded in the Bruce Lease [1]	Other financial instruments
Opening balance, January 1, 2015	**390**	**72**	**(302)**	**16**
Unrealized gains included in earnings on nuclear fixed asset removal and nuclear waste management funds [1]	**22**	**4**	**-**	**-**
Unrealized losses included in revenue	**-**	**-**	**(46)**	**(2)**
Realized gains (losses) included in revenue	**1**	**-**	**-**	**(8)**
Purchases	**77**	**15**	**-**	**13**
Sales	**(3)**	**(1)**	**-**	**-**
Settlements	**(9)**	**2**	**-**	**-**
Closing balance, June 30, 2015	**478**	**92**	**(348)**	**19**

[1] Excludes the impact of regulatory assets and liabilities.

Derivative Embedded in the Bruce Lease

Due to a significant unobservable input used in the pricing model of the Bruce Lease embedded derivative, the measurement of the liability is classified within Level 3.

The following table presents the quantitative information about the Level 3 fair value measurement of the Bruce Lease embedded derivative as at June 30, 2015:

(millions of dollars except where noted)	Fair Value	Valuation Technique	Unobservable Input	Range
Derivative embedded in the Bruce Lease	(348)	Option model	Risk Premium[1]	0% - 30%

[1] Represents the range of premiums used in the valuation analysis that OPG has determined market participants would use when pricing the derivative.

The term related to the derivative embedded in the Bruce Lease is based on the remaining service lives, for accounting purposes, of certain units of the Bruce generating stations. OPG's exposure to changes in the fair value of the Bruce Lease embedded derivative is mitigated as part of the OEB regulatory process, since the revenue from the lease of the generating stations to the Bruce Power L.P. is included in the determination of regulated prices and is subject to the Bruce Lease Net Revenues Variance Account. As such, the income statement impact of changes in the fair value of the derivative liability is offset by the income statement impact of the Bruce Lease Net Revenues Variance Account.

Nuclear Funds

Nuclear Funds investments classified as Level 3 consist of infrastructure, real estate and agriculture and timberland investments within the alternative investment portfolio. The fair value of the investments within the Nuclear Funds' alternative investment portfolio is determined using appropriate valuation techniques, such as recent arm's length market transactions, reference to current fair values of other instruments that are substantially the same, discounted cash flow analyses, third-party independent appraisals, valuation multiples, or other valuation methods. Any control, size, liquidity or other discount premiums on the investments are considered in the determination of fair value.

The process of valuing investments for which no published market price exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments. The values may also differ from the prices at which the investments may be sold.

The following are the classes of investments within the Nuclear Funds that are reported on the basis of net asset value as at June 30, 2015:

(millions of dollars except where noted)	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice**
Infrastructure	672	198	n/a	n/a
Real Estate	564	253	n/a	n/a
Agriculture and Timberland	28	159	n/a	n/a
Pooled Funds				
Short-term Investments	10	n/a	Daily	1 - 5 Days
Fixed Income	599	n/a	Daily	1 - 5 Days
Equity	754	n/a	Daily	1 - 5 Days
Total	2,627	610		

The fair value of the above investments is classified as either Level 2 or Level 3.

Infrastructure

This class includes investments in funds whose investment objective is to generate a combination of long-term capital appreciation and current income, generally through investments such as energy, transportation, and utilities.

The fair values of investments in this class have been estimated using the Nuclear Funds' ownership interest in partners' capital and/or underlying investments held by subsidiaries of an infrastructure fund.

The investments in the respective infrastructure funds are not redeemable. However, the Nuclear Funds may transfer any of its partnership interests/shares to another party, as stipulated in the partnership agreements and/or shareholders' agreements. Distributions from each infrastructure fund will be received based on the operations of the underlying investments and/or as the underlying investments of the infrastructure funds are liquidated. It is not possible to estimate when the underlying assets of the infrastructure funds will be liquidated. However, the infrastructure funds have a maturity end period ranging from 2019 to 2025.

Real Estate

This class includes investment in institutional-grade real estate property located in Canada. The investment objective is to provide a stable level of income with the opportunity for long-term capital appreciation.

The fair values of the investments in this class have been estimated using the net asset value of the Nuclear Funds' ownership interest in these investments.

The partnership investments are not redeemable. However, the Nuclear Funds may transfer any of their partnership interests to another party, as stipulated in the partnership agreement, with prior written consent of the other limited partners. For investments in private real estate corporations, shares may be redeemed through a pre-established redemption process. It is not possible to estimate when the underlying assets in this class will be liquidated.

Agriculture and Timberland

This class includes a diversified portfolio of global farmland and timberland investments. The investment objective is to provide a differentiated return source, income yield and inflation protection.

The fair values of the investments in this class have been estimated using the net asset value of the Nuclear Funds' ownership interest in these investments.

The investments are not redeemable. However, the Nuclear Funds may transfer any of their interests to another party, as stipulated in the shareholders' agreement, with prior written consent of the other shareholders.

Pooled Funds

This class represents investments in pooled funds, which primarily include a diversified portfolio of fixed income securities issued mainly by Canadian corporations and diversified portfolios of emerging market listed equity and fixed income securities. The investment objective of the pooled funds is to achieve capital appreciation and income through professionally managed portfolios.

The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

There are no significant restrictions on the ability to sell investments in this class.

11. COMMITMENTS AND CONTINGENCIES

Litigation

Various legal proceedings are pending against OPG or its subsidiaries covering a wide range of matters that arise in the ordinary course of its business activities.

On August 9, 2006, a Notice of Action and Statement of Claim filed with the Ontario Superior Court of Justice in the amount of $500 million was served against OPG and Bruce Power L.P. by British Energy Limited and British Energy International Holdings Limited (together British Energy). The action is for contribution and indemnity of any amounts British Energy was liable for in an arbitration against it by some of the owners of Bruce Power L.P. regarding an alleged breach of British Energy's representations and warranties to the claimants when they purchased British Energy's interest in Bruce Power L.P. (the Arbitration). Both the action and the Arbitration relate to corrosion of a steam generator unit discovered after OPG leased the Bruce nuclear generating stations to Bruce Power L.P.

In 2012, the arbitrator found that British Energy was liable to the claimants for some of the damages they claimed. The final settlement amount was valued by British Energy at $71 million. In September 2014, British Energy amended its Statement of Claim (Amended Claim) to reduce the claim amount to $100 million to reflect that the purchasers of British Energy's interest in Bruce Power L.P. did not receive the full damages they originally claimed in the Arbitration. British Energy also added an allegation to its Amended Claim that OPG breached a covenant to maintain the steam generator between the time of the initial agreement to lease and the effective date of the lease in accordance with "Good Utility Practices". OPG has initiated the inspection of various documents referenced in the amended Statement of Claim prior to preparing its Statement of Defence.

Each of these matters is subject to various uncertainties. Some of these matters may be resolved unfavourably. While it is not possible to determine the ultimate outcome of the various pending actions, it is the Company's belief that their resolution is not likely to have a material adverse impact on its financial position.

Environmental

OPG's current operations are subject to regulation with respect to emissions to air, water, and land as well as other environmental matters by federal, provincial, and local authorities. The cost of obligations associated with current operations is provided for on an ongoing basis. Management believes it has made adequate provision in the Company's interim consolidated financial statements to meet certain other environmental obligations. As at June 30, 2015, OPG's environmental liabilities were $13 million (December 31, 2014 – $15 million).

Guarantees

The Company and its joint venture partners have jointly guaranteed the financial performance of jointly owned entities related primarily to the payment of liabilities. As at June 30, 2015, the total amount of guarantees OPG provided to these entities was $80 million. OPG may terminate some of these guarantees within a short time frame by providing written notice to the counterparties at any time. Other guarantees have terms ending between 2019 and 2029. As at June 30, 2015, the potential impact of the fair value of these guarantees to income has been estimated to be negligible and OPG does not expect to make any payments associated with these guarantees.

Contractual and Commercial Commitments

The Company's contractual obligations and other significant commercial commitments as at June 30, 2015 are as follows:

(millions of dollars)	**2015**	**2016**	**2017**	**2018**	**2019**	**Thereafter**	**Total**
Contractual obligations:							
Fuel supply agreements	87	177	169	153	71	131	788
Contributions under the Ontario Nuclear Funds Agreement (ONFA) [1]	72	150	163	193	288	2,418	3,284
Pension contributions to the OPG registered pension plan [2]	180	370	-	-	-	-	550
Long-term debt repayment	201	273	1,103	398	368	3,085	5,428
Interest on long-term debt	128	249	230	174	155	1,986	2,922
Unconditional purchase obligations	49	8	-	-	-	-	57
Operating lease obligations	16	14	14	13	11	60	128
Commitments related to Darlington Refurbishment [3]	202	-	-	-	-	-	202
Operating licence	20	23	23	18	19	-	103
Accounts payable	300	-	-	-	-	-	300
Other	106	19	15	4	60	11	215
	1,361	1,283	1,717	953	972	7,691	13,977
Significant commercial commitments:							
Lower Mattagami	43	-	-	-	-	-	43
Peter Sutherland Sr. GS	65	112	29	-	-	-	206
Total	1,469	1,395	1,746	953	972	7,691	14,226

[1] Contributions under the ONFA are based on the 2012 ONFA Reference Plan contribution schedule approved in 2012.

[2] The pension contributions include ongoing funding requirements and additional funding requirements towards the deficit, in accordance with the actuarial valuation of the OPG registered pension plan as at January 1, 2014. The next actuarial valuation of the OPG registered pension plan must have an effective date no later than January 1, 2017. OPG's pension contributions are affected by various factors including market performance, changes in actuarial assumptions, plan experience, changes in the pension regulatory environment, and the timing of funding valuations. Funding requirements after 2017 are excluded due to significant variability in the assumptions required to project the timing of future cash flows. The amount of OPG's additional voluntary contribution, if any, is revisited from time to time.

[3] Represents estimated currently committed costs to close the project, including demobilization of project staff and cancellation of existing contracts and material orders.

Peter Sutherland Sr. GS

In March 2015, OPG's Board of Directors approved the project to construct the Peter Sutherland Sr. GS, a new 28 MW station on the New Post Creek near its outlet to the Abitibi River, with a planned in-service date in the first half of 2018 and an approved budget of $300 million. The station will be constructed through a partnership between OPG and Coral Rapids L.P., a wholly owned subsidiary of the Taykwa Tagamou Nation. Under the partnership agreement, Coral Rapids L.P. may acquire up to a 33 percent interest in the partnership. During the second quarter of 2015, a hydroelectric ESA for the station was executed by the IESO and the partnership. The hydroelectric ESA formalizes the long-term financial agreement with the IESO for the development of the station and the supply of electricity and related products from the station to the Ontario market. Construction work on the project commenced in the second quarter of 2015.

Power Workers' Union Collective Agreement

The Power Workers' Union (PWU) represents approximately 5,500 OPG regular employees or approximately 60 percent of OPG's regular workforce. The previous collective agreement between OPG and the PWU expired on March 31, 2015. During the second quarter of 2015, the parties agreed to renew the collective agreement for a three-year term, expiring on March 31, 2018.

The agreement includes increases to employee pension plan contributions in each year of the agreement. The agreement will also provide existing employees with lump sum payments for each of the first two years of the contract and eligibility to annually receive shares in Hydro One Inc. for up to 15 years, as long as these employees continue to make contributions to the OPG pension plan. The contract term is subject to the completion of the planned initial public offering of Hydro One Inc. shares by December 31, 2015. If this deadline is not met, the new agreement will default to a one-year term expiring on March 31, 2016.

12. BUSINESS SEGMENTS

Segment Income (Loss) for the Three Months Ended June 30, 2015 *(millions of dollars)*	Nuclear Generation	Regulated Nuclear Waste Manage-ment	Hydro-electric	Unregulated Contracted Generation Portfolio	Services, Trading, and Other Non-Generation	Elimination	Total
Revenue	**810**	**29**	**409**	**144**	**19**	**(28)**	**1,383**
Fuel expense	**79**	**-**	**89**	**11**	**1**	**-**	**180**
Gross margin	**731**	**29**	**320**	**133**	**18**	**(28)**	**1,203**
Operations, maintenance and administration	**514**	**30**	**79**	**43**	**12**	**(28)**	**650**
Depreciation and amortization	**113**	**-**	**60**	**18**	**9**	**-**	**200**
Accretion on fixed asset removal and nuclear waste management liabilities	**-**	**221**	**-**	**2**	**1**	**-**	**224**
Earnings on nuclear fixed asset removal and nuclear waste management funds	**-**	**(141)**	**-**	**-**	**-**	**-**	**(141)**
Property taxes	**6**	**-**	**-**	**2**	**4**	**-**	**12**
Income from investments subject to significant influence	**-**	**-**	**-**	**(11)**	**-**	**-**	**(11)**
Restructuring	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Income (loss) before interest and income taxes	**98**	**(81)**	**181**	**79**	**(9)**	**-**	**268**

Segment (Loss) Income for the Three Months Ended June 30, 2014 *(millions of dollars)*	**Regulated**			**Unregulated**			
	Nuclear Generation	**Nuclear Waste Manage-ment**	**Hydro-electric**	**Contracted Generation Portfolio**	**Services, Trading, and Other Non-Generation**	**Elimination**	**Total**
Revenue	683	29	316	64	34	(28)	1,098
Fuel expense	56	-	87	11	-	-	154
Gross margin	627	29	229	53	34	(28)	944
Operations, maintenance and administration	502	31	85	43	33	(28)	666
Depreciation and amortization	129	-	41	6	5	-	181
Accretion on fixed asset removal and nuclear waste management liabilities	-	191	-	2	2	-	195
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(217)	-	-	-	-	(217)
Property taxes	7	-	-	(4)	(4)	-	(1)
Income from investments subject to significant influence	-	-	-	(10)	-	-	(10)
Restructuring	-	-	-	7	3	-	10
Other loss	-	-	1	-	-	-	1
(Loss) income before interest and income taxes	(11)	24	102	9	(5)	-	119

Segment Income (Loss) for the Six Months Ended June 30, 2015 *(millions of dollars)*	Nuclear Generation	Regulated Nuclear Waste Manage-ment	Hydro-electric	Unregulated Contracted Generation Portfolio	Services, Trading, and Other Non-Generation	Elimination	Total
Revenue	**1,623**	**61**	**803**	**267**	**43**	**(59)**	**2,738**
Fuel expense	**157**	**-**	**160**	**18**	**2**	**-**	**337**
Gross margin	**1,466**	**61**	**643**	**249**	**41**	**(59)**	**2,401**
Operations, maintenance and administration	**1,041**	**64**	**154**	**87**	**28**	**(59)**	**1,315**
Depreciation and amortization	**227**	**-**	**120**	**35**	**14**	**-**	**396**
Accretion on fixed asset removal and nuclear waste management liabilities	**-**	**441**	**-**	**4**	**3**	**-**	**448**
Earnings on nuclear fixed asset removal and nuclear waste management funds	**-**	**(372)**	**-**	**-**	**-**	**-**	**(372)**
Property taxes	**13**	**-**	**-**	**4**	**8**	**-**	**25**
Income from investments subject to significant influence	**-**	**-**	**-**	**(22)**	**-**	**-**	**(22)**
Restructuring	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Income (loss) before interest and income taxes	**185**	**(72)**	**369**	**141**	**(13)**	**-**	**610**

Segment (Loss) Income for the Six Months Ended June 30, 2014 *(millions of dollars)*	Nuclear Generation	Regulated Nuclear Waste Manage-ment	Hydro-electric	Unregulated Contracted Generation Portfolio	Services, Trading, and Other Non-Generation	Elimination	Total
Revenue	1,391	58	812	157	123	(56)	2,485
Fuel expense	116	-	158	27	2	-	303
Gross margin	1,275	58	654	130	121	(56)	2,182
Operations, maintenance and administration	1,013	62	161	86	70	(56)	1,336
Depreciation and amortization	259	-	82	11	10	-	362
Accretion on fixed asset removal and nuclear waste management liabilities	-	383	-	4	4	-	391
Earnings on nuclear fixed asset removal and nuclear waste management funds	-	(377)	-	-	-	-	(377)
Property taxes	14	-	-	(3)	(1)	-	10
Income from investments subject to significant influence	-	-	-	(23)	-	-	(23)
Restructuring	-	-	-	7	5	-	12
Other loss	-	-	2	-	-	-	2
(Loss) income before interest and income taxes	(11)	(10)	409	48	33	-	469

13. NET CHANGES IN NON-CASH WORKING CAPITAL BALANCES

(millions of dollars)	Six Months Ended June 30 2015	2014
Receivables from related parties	**81**	38
Other accounts receivable and prepaid expenses	**9**	(22)
Fuel inventory	**9**	24
Income taxes payable/recoverable	**71**	77
Materials and supplies	**1**	1
Accounts payable and accrued charges	**(119)**	(131)
	52	(13)

14. INVESTMENTS SUBJECT TO SIGNIFICANT INFLUENCE

Investments subject to significant influence consist of OPG's 50 percent ownership interest in the jointly controlled entities of Portlands Energy Centre and Brighton Beach, which are accounted for using the equity method. Details of the balances as at June 30, 2015 and December 31, 2014 are as follows:

(millions of dollars)	**June 30 2015**	**December 31 2014**
Portlands Energy Centre		
Current assets	**15**	15
Long-term assets	**278**	287
Current liabilities	**(5)**	(5)
Long-term liabilities	**(5)**	(4)
Brighton Beach		
Current assets	**6**	6
Long-term assets	**181**	186
Current liabilities	**(14)**	(13)
Long-term debt	**(111)**	(118)
Other long-term liabilities	**(6)**	(6)
Investments subject to significant influence	**339**	348